DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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PART 6

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1987

MONDAY, APRIL 21, 1986.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

SAMUEL R. PIERCE, JR., SECRETARY
JOHN KNAPP, GENERAL COUNSEL
ALFRED MORAN, ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT
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RICHARD FRANCIS, PRESIDENT-DESIGNATE, SOLAR ENERGY AND ENERGY CONSERVATION BANK
STEPHEN MAY, ASSISTANT SECRETARY FOR LEGISLATION AND CONGRESSIONAL RELATIONS
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JAMES STIMPSON, DEPUTY ASSISTANT SECRETARY FOR POLICY DEVELOPMENT, OFFICE OF POLICY DEVELOPMENT AND RESEARCH
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

SUMMARY OF SOLAR BANK PROGRAM

Mr. BOLAND. The Committee will come to order.

We are glad to have you all here today.

We will start, incidentally, in the order that as the justification appears. We are delighted to have with us the Solar Energy and Energy Conservation Bank people and its President-Designate. How long have you been designated as President?

Mr. FRANCIS. Since August 1983.

Mr. BOLAND. Not bad. Three years.

Mr. **Francis**. It is in the Guiness Book of Records.

Mr. **Boland**. Anyway, we are glad to have you.

As you indicated in your statement, we have appropriated around $81 or $82 million in this program over the years, and this Committee has kept it alive.

Last year we were not able to fund it because there were problems on the other side, but you won the court decision, didn't you?

Mr. **Francis**. Yes.

Mr. **Boland**. Did John Knapp represent you there?

Mr. **Knapp**. I can't fully claim that credit.

Mr. **Boland**. Anyway, you have people with you, of course. Is it Mr. Preysnar and Julia Fermoile? Nice to have you again.

Ms. **Fermoile**. Thank you.

Mr. **Boland**. All the others have been here, I think, haven't they?

Al Kliman, you have been here before?

Mr. **Kliman**. I am afraid so, sir.

Mr. **Boland**. Fortunately for this Committee, at times.

Anyway, you have a statement. Why don't you go ahead and give it to us and find out what you will do with all the money you have.

Mr. **Francis**. This is my fourth appearance and possibly the last one, Mr. Chairman.

Mr. **Boland**. Why is it possibly the last one?

Mr. **Francis**. Because what I would suggest, if it were taken up by the Committee, would make it reason for it being the last one.

Mr. **Boland**. Why don't you get a job on the UDAG program, then?

Mr. **Francis**. As this Committee knows——

Mr. **Boland**. I will tell you, you have been a good one, let me say. You have kept the program alive. It has shown excellent results over the years, and it certainly has shown that you receive pretty good cooperation from the private sector in this area.

Mr. **Francis**. Yes, yes, of course.

Mr. **Boland**. Because of this program, hundreds of millions of energy conservation improvements have been generated as a result of it, and so it is not a loser. It has been a real gainer and winner.

Mr. **Francis**. Yes, sir.

Summary of Opening Statement

Mr. **Boland**. Now, do you want to give your statement?

Mr. **Francis**. We have received $81.85 million over the last four years, and we did not receive any funds in 1986, as you know.

The Bank is due to terminate by statute the end of fiscal year 1987.

As of Friday last, we had expended $51 million on program funds—that is about 67 or 68 percent of the funds we have received; $4.3 million on administration, which is—I think they are good for a program of this size; 73,878 projects in the 50 State-level agencies we are dealing with. Some $28.5 million was for loan subsidies, and $22.5 million for grants, about 60/40. About $33 million of these funds went to individuals at 80 percent or less of median area income. There was $45.8 million spent on one- to four-family residential buildings, and $4.7 million spent on multifamily residential buildings.

At the present time we have sufficient funds to allow for spending into fiscal year 1987. With program termination at the end of the year, we should have all the available funds expended by the end of the fiscal year.

As you know, we have requested no 1987 funding. We have made a sort of brief survey of the states, and the states indicate that about a third of them with active programs will probably continue this program using oil overcharge funds or other state funds and some Federal funds. Another third may continue it. They are not sure just yet. Another third will probably close the program down.

Mr. Chairman, we request any funds that we recapture that are subject to reallocation be returned to the general fund. We calculate that would only be about a million and a half to two million dollars. It is pointless, really, to reallocate such a small amount, assuming that you respond to our request of no fiscal year 1987 funds.

That is the summary of my statement, Mr. Chairman.

RECAPTURES

Mr. **Boland**. And the recapture, again, will be how much?

Mr. **Francis**. About $1.5 million to $2 million. It is too small to reallocate, really.

Mr. **Boland**. It is estimated that the $1.7 million remaining funds will not be used in the prescribed timeframe and may be subject to recapture.

That would keep you alive for a while, too, wouldn't it?

Mr. **Francis**. Very, very briefly, because we have allocated these funds over roughly 50 states and state-level territories and so on.

STAFFING

Mr. **Boland**. How many FTEs are on board now?

Mr. **Francis**. We have 4 FTEs. We have reduced our staff to participate in a phase out.

OBLIGATIONS FOR 1985

Mr. **Boland**. On page A-1, paragraph two indicates that only $14.5 million out of $20.1 million available was actually obligated last year. What——

Mr. **Francis**. That was just because we were not able to get it obligated within that fiscal year. It was obligated in this fiscal year.

Not all the money had been obligated because the states have to respond to cooperative agreement amendments, and some of them didn't get it finished by the time September 30 rolled around. So, we obligated $5 million in this fiscal year, approximately.

TERMINATION OF STAFF

Mr. **Boland**. What about the 3.8 FTEs? Is that sufficient to administer the program?

Mr. **Francis.** It will be, assuming no further funding, because all we will do is monitor spend out.

Mr. **Boland.** At what point do you think the Solar Bank positions will be terminated?

Mr. **Francis.** We should have two people on board through fiscal year 1987 just to monitor the spend out, but at the end of fiscal year 1987 the lights can be turned out.

Mr. **Boland.** And if the Congress should add money in 1987, are there any management impediments to continuing the program?

Mr. **Francis.** There shouldn't be any.

Mr. **Boland.** You can still continue with two or three employees?

Mr. **Francis.** We have operated the program in such a way as the states do most of the actual allocations of the funds.

We have obligated funds to the states. We monitor the states, and we see to auditing the program. But the operational aspects of the program are conducted by the states themselves.

USE OF SOLAR LOAN GUARANTEES

Mr. **Boland.** Now, the original Solar Bank legislation authorized secondary financing. What would your reaction be to using loan guarantees as a way to continue the solar and energy conservation projects?

Mr. **Francis.** We have talked about this on a number of occasions, and the loans are not large enough to warrant that kind of activity. We are talking about loans of $2,000, $3,000, $4,000.

Mr. **Boland.** Oh.

Mr. **Francis.** They are really small project loans.

The largest would be for a solar home and that is only for the solar portion. That might be $10,000, $15,000.

So there is no point in having loan guarantee activity.

Mr. **Boland.** I take it most of the money expended on this program has been with respect to solar homes?

Mr. **Francis.** That is not true, no. It has been primarily conservation.

Mr. **Boland.** It has?

Mr. **Francis.** Only $6.3 million has been spent on one- to four-family solar, and that has been in a few states, Washington State and several others.

FUNDING PRIMARILY FOR ENERGY CONSERVATION

Mr. **Boland.** What are the conservation types you are talking about, where the major share of the funding has been spent?

Mr. **Francis.** It has been the typical retrofitting of furnaces and caulking and other weatherization things. Frankly, they are those type of activities accomplished by the DOE and HHS programs.

STATES TO CONTINUE PROGRAM

Mr. **Boland.** Have the states picked up this program at all?

Mr. **Francis.** Some of them have. Maybe about 10 or 15 have. Now, those are the ones that will continue the program, very possibly. Midwestern States, some New England States, primarily New

York, Massachusetts, Indiana, Ohio—those States have picked it up.

Mr. **Boland**. Mr. Green.

ORIGINAL CONCEPT OF SOLAR PROGRAM

Mr. **Green**. Following on the Chairman's question on loan guarantees, I was on the authorizing committee at the time this originated.

I think our contemplation at that time was this would run in a rather different way from that which it has, primarily because of the volume that was anticipated, which was much higher.

We had conceived that you could have a large number of small loans much as the title I home improvment loan program has a large volume of loan guarantees even though the typical home improvement must be in the same range as this kind of energy home improvement project.

Could that still be a model for this?

Mr. **Francis**. I suppose it could be if we were to be funded at the level originally conceived. This purported to be a $3 billion program.

The original concept, if I remember, was that we were to be directly related to 14,000 or 15,000 financial institutions around the country. But because of the small amount of funds and the active programs in the other energy-related programs at state levels, we decided to function through the States, as you know.

If we had had the $3 billion and we operated through an agency—as we originally thought about possibly dividing it—the loans would have warranted a Ginny Mae approach to this. But given this level of funding, it was never even considered.

ALLOCATION CRITERIA

Mr. **Green**. Maybe it is academic, but I noted with interest the allocation of Solar Bank funds during 1985.

My understanding was that awards are based on "population characteristics and specific performance criteria."

Yet under those circumstances, I am startled that New York State got $350,000 less than Ohio and only $70,000 more than Iowa.

Could you tell me, was there some problem in terms of performance that led to this?

Mr. **Francis**. We based it on the amount of funds available that were utilized within the period that was being considered as the basis for allocation.

New York didn't do as well as the other two states in actually using their funds.

Mr. **Green**. Thank you very much.

OIL COMPANIES' OVERCHARGE REBATES

Mr. **Boland**. Before I turn it over to Mr. Coughlin—one of the areas in which there has been some talk about funding these projects is overcharge payments from the oil companies—that amounts to a considerable amount of money, billions.

Mr. **Francis**. Yes.

Mr. **Boland**. Has any effort been made in this area?

Mr. **Francis**. Yes, Mr. Chairman, we have canvassed the States and found a number of states that plan to use these funds for the Solar Bank as the loan subsidy part of it. They are authorized to use that.

I believe about 14 or 15 states are going to do that. That is how they will maintain their program beyond the termination date.

Mr. **Boland**. But all of these penalties are going to be repaid to the states and local communities and not the Federal Government, is that correct?

Mr. **Francis**. It goes to the states. I think it is about $2 billion from Exxon and half a billion dollars from Arco, and then there are other funds. So it will be $2.5 billion, approximately, which will be available to the states; and it is allocated on some formula that DOE has worked out, I believe.

Mr. **Boland**. Mr. Coughlin.

SOLAR BANK PROJECTS SIMILAR TO DOE AND HHS

Mr. **Coughlin**. Thank you, Mr. Chairman.

You say the actual types of projects that you have been undertaking are ones similar to those undertaken by DOE programs.

Mr. **Francis**. That is correct, and HHS.

Mr. **Coughlin**. So that in terms of the ability to get these kinds of projects done, that would still exist in the development.

Mr. **Francis**. Oh, yes.

I always felt this program overlapped those other programs. This was more directed towards the middle income area, although obviously it has been very good in the lower end of the spectrum, but it wasn't originally to the lower levels.

Mr. **Coughlin**. Thank you, Mr. Chairman.

Mr. **Boland**. Thank you very much, Mr. Francis.

We are glad to have you with us, and we hope to see you next year.

Mr. **Kliman**. He wants to retire, you know.

Mr. **Francis**. Thank you, Mr. Chairman.

Mr. **Boland**. Thank you very much.

[The statement of Richard H. Francis follows:]

Statement of Richard H. Francis

President Designate of the Solar Energy and

Energy Conservation Bank

Before the Subcommittee on HUD-Independent Agencies

of the House Committee on Appropriations

April 1986

Mr. Chairman and members of the Committee:

I am pleased to come before you today to discuss the Solar Energy and Energy Conservation Bank. The Budget again proposes that no additional appropriation be enacted for the Bank for Fiscal Year 1987. I would like to take this opportunity to summarize the Bank's history and activity for this past fiscal year.

The Bank statute called for a program which provided a short term financial stimulus for a wide range of energy-related activities. The original authorization of over three billion dollars for Fiscal Years 1981-1984 was later reduced as part of the Omnibus Reconciliation Act to $150 million for Fiscal Years 1982-1984. Less than half that amount was appropriated for these years.

In view of this level of funding the Bank's Board established a program which provided assistance through ongoing State energy-related programs. At this time, the participants consist of 48 States, the District of Columbia, five U.S. territories and an Indian assistance coordinator, 55 total. With $15 million last appropriated in FY 1985, total appropriations for the Bank are $81.85 million. The Bank entered into Cooperative Agreements with program participants which obligated all appropriated funds and stipulated a time-frame by which funds must be expended. Simply stated, funds must be committed within 12 months and expended within 18 months. This time limitation is consistent with Federal policy and encourages States to obligate and expend funds expeditiously. Unused funds were to be returned to the Treasury upon expiration of the time periods.

Plaintiffs in the Solar Bank lawsuit, Dabney v. Reagan, filed a motion for an Order preventing the Bank from returning recaptured funds to the Treasury. The Judge affirmed the validity of Cooperative Agreement Contract provisions that say the Bank can recapture funds but ordered on March 20, 1985, that recaptured funds be redistributed.

The Bank then awarded $20 million of FY 1985 and recaptured funds to new and current program participants in accordance with the performance-based allocation provisions of the Bank's regulations in August 1985. While the Bank did not receive an appropriation for FY 1986, $4 million of recaptured funds were awarded to eligible participants in February of 1986.

As of March 21, 1986, 1,164 funding requests had been approved by the Bank, resulting in expenditures of $48.2 million by 50 participants subsidizing 69,485 projects with another $4.0 million used for administrative and promotional expenses. $31.2 million, or 65 percent of program funds, went to recipients with family incomes less than 80 percent of the median area income and 17 percent, or $8.3 million, went to recipients with family incomes between 80-150 percent of the median area income.

The majority of program funds, $41.6 million, was used to subsidize energy conservation measures, and $6.6 million was provided for solar installations. Statistics provided in the Bank's 1985 Annual Report reflect estimates of BTU savings annually as well as the ratio of the total cost of measures to subsidy amount provided.

At the current rate of expenditure, some $2 to $2.5 million per month, it is projected that remaining funds will sustain program activity well into FY 1987. Also, based on past experience, it is estimated that about $1.7 million of remaining funds will not be used within prescribed time frames and may be subject to future recapture.

With the Bank's authorization expiring on September 30, 1987, the Bank has fulfilled its purpose to the extent possible. Further, the Bank has succeeded in stimulating some State energy programs which possibly plan to continue in various forms through oil overcharge funds and other Federal and State monies. Based on informal surveys taken by my staff, many State agencies plan to request an allotment from the oil overcharge monies to fund a portion of the Bank program. However, it is uncertain to what extent this will actually occur.

The 1987 Budget proposes to terminate the Bank completely in 1987. The only staff activity left will be to monitor the spend out of program funds and continue to audit participants where advisable with a staff level of two for FY 1987.

In summary, the Department recommends zero funding for FY 1987, a small staff to monitor spend out and a return of all future recaptured monies to the Treasury.

COMMUNITY PLANNING AND DEVELOPMENT

Mr. BOLAND. Now we turn to Community Planning and Development.

Al, you can move to the hot seat right here.

We are delighted to welcome the Assistant Secretary for Community Planning and Development, Alfred C. Moran, and his staff. I think everybody else has been here before. Or, have you got any new ones?

Mr. GILLIAM. Mary Kolesar, Acting Director, Rehabilitation Management Division from the Office of Urban Rehabilitation.

Mr. MORAN. Janice Golec too.

Mr. BOLAND. Well, thank you for coming.

To say the least, you have had a lot of controversy with respect to all the problems that you have in fiscal year 1987. As a matter of fact, I think they are the most severe problems; most everyone does. A lot of controversy has been raised with respect to them.

We are glad to have you here as the Assistant Secretary, in spite of all the cuts that have been made in these programs. That is not fair, of course.

Anyway, we are glad to have you, Al. We recognize the fact that this is one of the most important activities and functions within the Department of HUD. This activity touches just about all the local communities throughout the United States, and impacts the larger and mid-size cities, too.

The box score indicates that for CDBG, the 1987 request is $2,124,800,000. UDAG is zeroed out.

For Urban Homesteading, the 1987 request is $12 million. That is remaining constant.

And the rental rehab grants program has been zeroed out—not permanently at this point in time. We will know later on in the week.

Anyhow, we are glad to have you. We know you have a statement. Why don't you go ahead?

SUMMARY OF ASSISTANT SECRETARY'S STATEMENT

Mr. MORAN. Thank you, Mr. Chairman.

In the interest of saving time and allowing time for questions that you or other Members may have, I would like to request your indulgence and give you a summary of my written statement.

Mr. BOLAND. Fine.

Mr. MORAN. As you indicated, clearly our CPD budget plan for 1987 has been developed in the context of and in full support of Administration and Departmental priorities. The Secretary and I both know that it represents some extremely difficult choices, that include some extremely painful but necessary budget cuts as well as program terminations. Nonetheless, we remain convinced that we can combine reduced budgets with improved program service.

At the same time, we recognize that distressed communities and persons in those communities will continue to need Federal assistance, and that these budget reductions will produce some temporary dislocations in services and facilities. We have taken steps to minimize, or mititgate, or ameliorate the impact that those budget reductions and terminations might have.

Specifically, for Community Development Block Grants, as you indicated, we are seeking a funding level for 1987 of $2.1 billion. With that, we are also seeking a deferral of a half billion dollars from the fiscal year 1986 appropriation. Basically, that brings us to a level of $2.6 billion for each year. If you count in Gramm-Rudman, that has some impact, of course. But the point is to create a new base for CDBG of approximately $2.6 billion projecting into out-years of 1988, 1989, and through 1991 increases built into that dictated by inflation. These steps will have the combined effect of saving over $2 billion through 1991.

Moreover, to again lessen the impact of this drop in funding for our communities—our entitlement, as well as nonentitlement communities—we are proposing to take certain measures to again lessen the impact.

For instance, we plan to soon propose that a new distribution of the entitlement funds occur; that is to say, a leveling, adjustment of the entitlement funds so the more distressed communities will receive more of the available money and those less involved will be reduced accordingly.

We propose to change the distribution between entitlement and nonentitlement from 70/30 percent, as it is now, to 65/35 percent, thus partially off-setting the cuts in Farmers Home Administration development programs that are proposed in this budget.

So, we have kept the distressed communities in mind. We would like to have those funds targeted in a more equitable fashion, keeping in mind the distressed communities.

Under the block grant program, the Secretary's discretionary fund, we propose a funding level of approximately $47 million for 1987 which is a reduction of roughly $13 million. That reduction will all be experienced by the portion of that fund that is designated for technical assistance and for special projects. We did not propose a reduction for Indians or Insular areas.

As you indicated, $12 million is the level we are seeking for the Urban Homesteading program, again a constant funding level.

Lastly, we, of course, propose termination of several programs, including the UDAG program, the Rental Rehabilitation program, the Section 312 program, and the Section 108 program.

All this is part of our efforts to combat the deficit.

Basically, that is the summary of the statement, Mr. Chairman, and I would be happy to take any questions you may have.

Mr. BOLAND. Thank you very much, Mr. Secretary.

[The statement of Alfred C. Moran follows:]

STATEMENT OF ALFRED C. MORAN
ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT
BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
APRIL 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM PLEASED TO APPEAR BEFORE YOU TO DISCUSS THE 1987 BUDGET PROPOSALS FOR COMMUNITY PLANNING AND DEVELOPMENT.

OUR CPD BUDGET PLAN HAS BEEN DEVELOPED IN THE CONTEXT OF AND IN FULL SUPPORT OF ADMINISTRATION AND DEPARTMENTAL PRIORITIES. SECRETARY PIERCE AND I KNOW THAT IT REPRESENTS DIFFICULT CHOICES, INCLUDING SOME PAINFUL BUDGET CUTS AND PROGRAM TERMINIATIONS, BUT I AM CONVINCED THAT WE CAN COMBINE REDUCED BUDGETS WITH IMPROVED PROGRAM SERVICE.

THESE ARE THE REASONS FOR MY OPTIMISM:

- O IN PARTNERSHIP WITH STATE AND LOCAL GOVERNMENTS, WE ARE NOW BUILDING UPON A STRONG AND DYNAMIC ECONOMY THAT EXPANDS THE RESOURCES OF STATE AND LOCAL GOVERNMENTS TO ADDRESSS LOCAL NEEDS; A STRONG AND GROWING STATE AND LOCAL CAPACITY TO DEVELOP AND EXECUTE EFFECTIVE POLICIES THAT BENEFIT THEIR CITIZENS; AND A STRONG RELATIONSHIP NURTURED BETWEEN STATE AND LOCAL GOVERNMENTS AND THE PRIVATE SECTOR.

- O WE ARE AIMING TOWARD ENHANCED EFFICIENCY AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES AT ALL LEVELS OF GOVERNMENT; GREATER LOCAL DISCRETION TO MATCH PUBLIC RESPONSES TO LOCAL NEEDS; AND MAXIMUM IMPACT OF LIMITED PUBLIC RESOURCES.

- O WE ARE PROCESSING WITH A FIRM AND CONTINUING DEDICATION TO MEET THE OBJECTIVES OF OUR COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS.

AT THE SAME TIME, WE RECOGNIZE THAT DISTRESSED COMMUNITIES AND PERSONS WILL CONTINUE TO NEED FEDERAL ASSISTANCE AND THAT BUDGET REDUCTIONS WILL PRODUCE SOME TEMPORARY DISLOCATIONS IN THE SERVICES AND FACILITIES WE ASSIST. WE ARE MOVING TO MINIMIZE THOSE DISRUPTIONS.

ACCORDINGLY, WE INTEND TO REINFORCE OUR COMMITMENT TO DISTRESSED COMMUNITIES AND PERSONS BY PROVIDING THE MOST EFFICIENT FEDERAL MANAGEMENT POSSIBLE FOR CPD PROGRAMS; THE ENCOURAGEMENT OF AN ENTREPRENEUTIAL SPIRIT AMONG LOCAL GOVERNMENT OFFICIALS; THE CUSHIONING OF THE IMPACT OF FUNDING REDUCTIONS THROUGH EFFICIENT AND TIMELY USE OF PROGRAM PAYBACKS; AND THE MOST EFFECTIVE TARGETING OF EXISTING RESOURCES TO COMMUNITY NEED.

COMMUNITY DEVELOPMENT BLOCK GRANTS

IN ORDER TO HELP MEET THE COMMUNITY DEVELOPMENT NEEDS OF STATE AND LOCAL GOVERNMENTS, THE DEFICIT REDUCTION TARGETS SET BY BOTH THE GRAMM-RUDMAN-HOLLINGS LEGISLATION AND THE ADMINISTRATION'S PRIORITIES FOR FEDERAL SPENDING, WE PROPOSE AN APPROPRIATION FOR THE CDBG PROGRAM FOR FY 1987 OF $2.1 BILLION. WE ALSO PROPOSE A DEFERRAL OF $500 MILLION FROM THE 1986 APPROPRIATION TO 1987. THE DEFERRAL AND REVISED PROGRAM LEVEL CONTINUE THROUGH 1991, HAVE THE COMBINED EFFECT OF SAVING OVER $2.2 BILLION BY 1991. THE PROPOSED 1987 PROGRAM LEVEL REPRESENTS A REDUCTION FROM THE ENACTED FY 1986 APPROPRIATION, BUT SEVERAL FACTORS WILL HELP MITIGATE THE POSSIBLE EFFECTS OF THIS REDUCTION:

FIRST, WE PROPOSE TO CHANGE CDBG FUNDING AND TARGETING PROCESS TO REDUCE THE POTENTIAL ADVERSE EFFECTS OF FUNDING REDUCTIONS ON OUR MOST DISTRESSED COMMUNITIES.

SECOND, MANY COMMUNITIES AND STATES HAVE FUNDED ACTIVITIVES THROUGH CDBG THAT GENERATE AND WILL CONTINUE TO GENERATE SIGNIFICANT AMOUNTS OF PROGRAM INCOME. THIS ADDITIONAL INCOME, WHICH EQUALLED 15 PERCENT OF GRANT FUNDS IN 1983 AND HAS INCREASED EACH YEAR SINCE, SHOULD HELP TO OFFSET THE IMPACT OF FUNDING REDUCTIONS.

THIRD AND FINALLY, THERE IS THE IMPROVED FISCAL CONDITION OF STATES AND COMMUNITIES. COLLECTIVELY, BOTH STATES AND LOCAL GOVERNMENTS HAVE HAD OPERATING SURPLUSES IN EACH OF THE LAST FOUR YEARS. SURPLUSES FOR 1986 ARE PROJECTED TO BE $12.9 BILLION FOR STATES AND $7.4 BILLION FOR LOCAL GOVERNMENTS. THESE SURPLUSES INDICATE AN ENHANCED CAPACTIY OF MANY CITIES AND STATES TO PROVIDE SERVICES AND FACILITIES PREVIOUSLY FUNDED WITH CDBG. WE KNOW, HOWEVER, THAT NOT ALL COMMUNITIES SHARE IN THIS PROSPERITY AND WE MUST ENSURE, TO THE DEGREE POSSIBLE, THAT EXISTING RESOURCES ARE CHANNNELLED TO THE MOST DISTRESSED COMMUNITIES.

IN ACCORD WITH ADMINISTRATION EFFORTS TO REDUCE DUPLICATIVE AND, THEREFORE, INEFFICIENT FEDERAL GOVERNMENT ASSISTANCE, THE ADMINISTRATION PROPOSES TO SHIFT THE STATUTORY DISTRIBUTION BETWEEN ENTITLEMENT AND STATE PROGRAMS FROM 70/30 PERCENT TO 65/35 PERCENT. THIS WILL ALLOW MORE OF THE ACTIVITIES CURRENTLY FUNDED BY THE FARMERS HOME ADMINISTRATION TO BE UNDERTAKEN BY SMALL COMMUNITIES SERVED THROUGH THE HUD FUNDED STATE CDBG PROGRAM.

UNDER THE PROPOSED FUNDING LEVEL, ENTITLEMENT CITIES WILL RECEIVE $1.7 BILLION TO ASSIST 827 METROPOLITAN CITIES AND URBAN COUNTIES. AS IN THE PAST, THESE COMMUNITIES WILL USE THEIR GRANT FUNDS TO ASSIST LOW- AND MODERATE-INCOME PERSONS BY UPGRADING HOUSING STOCK, EXPANDING ECONOMIC OPPORTUNITIES, AND IMPROVING PUBLIC FACILITIES AND SERVICES.

SECRETARY'S DISCRETIONARY FUND

WITHIN THE CDBG TITLE I APPROPRIATION, $47 MILLION WILL BE PROVIDED UNDER THE SECRETARY'S DISCRETIONARY FUND. THESE GRANTS ARE USED, FIRST, TO SUPPORT THE COMMUNITY DEVELOPMENT ACTIVITIES OF INDIAN TRIBES AND INSULAR AREAS; SECOND, TO OFFER TECHNICAL ASSISTANCE TO STATES AND UNITS OF LOCAL GOVERNMENT SO THAT THEY CAN MAKE THE MOST EFFECTIVE USE OF THEIR CDBG FUNDS; AND THIRD, TO ADDRESS CERTAIN HIGH PRIORITY SITUATIONS.

URBAN DEVELOPMENT ACTION GRANTS

THE NEED TO REDUCE THE FEDERAL DEFICIT WHILE PRESERVING THE ADMINISTRATION'S SPENDING PRIORITIES MAKES IT NECESSARY TO TERMINATE FUNDING FOR THE UDAG PROGRAM. YET THE SUCCESS OF THE UDAG PROGRAM IN BUILDING LOCAL ECONOMIC DEVELOPMENT CAPACITY AND IN CULTIVATING CLOSER WORKING RELATIONSHIPS BETWEEN LOCAL GOVERNMENT AND LOCAL BUSINESS HAS MADE MANY COMMUNITIES BETTER ABLE TO ADDRESS THEIR LOCAL ECONOMIC DEVELOPMENT CHALLENGES--EVEN IN THE ABSENCE OF ADDITIONAL UDAG FUNDING.

MOREOVER, IT IS CRITICAL TO REMEMBER THAT THE UDAG RESOURCES WHICH HAVE ALREADY BEEN PROVIDED DO NOT REVERT TO THE FEDERAL GOVERNMENT OR DISAPPEAR. AS UDAG LOANS ARE REPAID, THE FUNDS ARE DESIGNED TO BE USED BY LOCAL GOVERNMENTS, LEVERAGING ADDITIONAL PRIVATE RESOURCES AND PRODUCING FURTHER ECONOMIC DEVELOPMENT. AT PRESENT, ALMOST 65 PERCENT (OR $2.6 BILLION) OF THE $4 BILLION IN UDAG FUNDS AWARDED TO DATE ARE ESTIMATED TO BE REPAID TO LOCAL GOVERNMENTS--PLUS INTEREST (IN MOST CASES). IT SHOULD BE UNDERSTOOD THAT ON AVERAGE, THESE REPAYMENTS WILL BE MADE OVER 19 YEARS FROM THE TIME THE LOAN IS MADE. IN ADDITION, IT IS ESTIMATED THAT APPROXIMATELY $165 MILLION, OR THE EQUIVALENT OF ONE-HALF OF THE FISCAL YEAR 1986 UDAG APPROPRIATION WILL BE PAID BACK TO ABOUT 825 LOCAL COMMUNITIES BY THE END OF FISCAL YEAR 1986. THIS MEANS THAT FROM THE BEGINNING OF THE PROGRAM IN FISCAL YEAR 1978 UNTIL THE END OF FISCAL YEAR 1986, APPROXIMATELY $165 MILLION WILL HAVE BEEN PAID BACK TO ABOUT 825 COMMUNITIES.

FINALLY, MANY COMMUNITIES HAVE SHOWN GREAT CREATIVITY IN USING OTHER SOURCES OF SUPPORT FOR LOCAL ECONOMIC DEVELOPMENT ACTIVITY. ENTITLEMENT COMMUNITIES, FOR EXAMPLE, HAVE BUDGETED ALMOST ONE-THIRD OF A BILLION DOLLARS FOR ECONOMIC DEVELOPMENT ACTIVITIES IN FY 1985.

URBAN HOMESTEADING

A $12 MILLION APPROPRIATION IS PROPOSED FOR THE URBAN HOMESTEADING PROGRAM, A SMALL BUT EFFECTIVE PROGRAM WHICH CONTINUES TO PROVIDE LOW HOMEOWNERSHIP OPPORTUNITIES AND WHICH CONTRIBUTES TO NEIGHBORHOOD REVITALIZATION. THE PROGRAM ASSISTS COMMUNITIES AND INDIVIDUALS IN ACQUIRING PROPERTIES AS PART OF A COMPREHENSIVE STRATEGY OF PUBLIC IMPROVEMENTS AND SERVICES WHICH COMPLEMENTS ACTIVITIES UNDERTAKEN WITH CDBG FUNDS.

OVER 9,100 FEDERALLY OWNED PROPERTIES HAVE BEEN CONVEYED TO HOMESTEADERS UNDER THE PROGRAM SINCE 1976. WE WILL CONTINUE THAT EFFORT BY CONVEYING APPROXIMATELY 800 SINGLE FAMILY UNITS WITH THE PROPOSED FY 1987 APPROPIRATION.

RENTAL REHABILITATION GRANTS

IN LIGHT OF THE NEED FOR DEFICIT REDUCTIONS AND THE AVAILABILITY OF OTHER SOURCES OF FUNDING FOR RENTAL REHABILITATION, THE RENTAL REHABILITATION GRANTS PROGRAM IS SLATED FOR TERMINATION IN 1987, AND IT HAS BEEN RECOMMENDED THAT $71.775 MILLION BE RESCINDED IN 1986. THE REMAINDER OF THE $75 MILLION APPROPRIATION HAS BEEN SEQUESTERED PURSUANT TO THE GRAMM-RUDMAN-HOLLINGS LEGISLATION.

TERMINIATED PROGRAMS

THE CRUCIAL NEED TO REDUCE THE FEDERAL BUDGET DEFICIT AND TO SUPPORT ADMINISTRATION PRIORITIES DEMANDS THAT COSTLY, DUPLICATIVE AND INFLEXIBLE PROGRAMS BE ELIMINATEED AND REPLACED BY MORE FLEXIBLE AND EFFECTIVE INSTRUMENTS. WE RECOMMEND, AS THE DEPARTMENT HAS REPEATEDLY DONE FOR 12 OF THE PAST 15 YEARS UNDER THREE DIFFERENT ADMINISTRATIONS, THE TERMINATION OF THE SECTION 312 PROGRAM. WE DO SO BECAUSE HOUSING REHABILITATION ASSISTANCE HAS PROVEN TO BE MORE EFFECTIVELY, FLEXIBLY, QUICKLY AND LESS EXPENSIVELY PROVIDED THROUGH THE CDBG PROGRAM. WE ALSO PROPOSE TERMINATING THE SECTION 108 LOAN GUARANTEE PROGRAM, SINCE THE LIMITED AND SELECTIVE DEMAND FOR SECTION 108 ASSISTANCE INDICATES THAT, GIVEN OTHER CONSTRAINTS, THE PROGRAM IS UNNECESSARY AND DISTORTS THE PRIVATE FINANCIAL MARKET.

STAFFING

WE ARE PROPOSING 799 PERMANENT FULL TIME POSITIONS--A DECREASE OF 106 FROM THE CURRENT 1986 ESTIMATE OF 905 POSITIONS. THIS REFLECTS THE PROPOSED 1987 CPD PROGRAM TERMINATIONS AND ELIMINATION OF STAFFING FOR THE CDBG MONITORING FUNCTION PENDING COMPLETION OF AN A-76 STUDY IN THIS AREA.

CONCLUSION

MR. CHAIRMAN, THAT CONCLUDES MY OPENING REMARKS. I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MIGHT HAVE.

CDBG DEFERRAL

Mr. **Boland**. One of the problems you have indicated in your statement and repeated again here is that you hope the impact on the distressed areas will not be as great as first thought; you state that the Department is working toward that end.

Mr. **Moran**. Yes.

Mr. **Boland**. Recognizing the fact that some communities are better off, and some states and larger communities are a lot better off, and on that basis, you are structuring the program, hopefully, to make the least impact due to the severe reductions that, of course, are taking place.

One of the things that bothers me a little bit, as you know, and as people who have been working at HUD for some time know, is that this Committee usually gets the Bills to the Floor a little earlier than other appropriations bills and has had considerable success in getting help. We were hung up for a while last year, but finally when we were in conference, came out with agreement on the bill. That agreement was one the White House indicated it would approve, and it did. And the President signed the bill on November 15.

But then in a relatively short period of time we got a proposal for a $500 million deferral in CDBG.

What happened within such a short period of time, from the time the President signed the bill to the recommendation to defer the $500 million in CDBG to 1987?

Mr. **Moran**. I can only speculate, but I would suggest that in the interval between the time the bill was signed and the time the deferral and rescissions were proposed—which is, of course, in the 1987 budget message—several things occurred, one of which was the analysis and acceptance of the Gramm-Rudman legislation. And our deferral, as well as rescissions, contemplate Gramm-Rudman reductions, the 4.3 percent reduction that ultimately occurred in March. So, it is my thought that was perhaps one of the big things that occurred. In order to line it up for Gramm-Rudman, the 1986 and 1987 numbers were handled that way.

OVERTURN OF CDBG DEFERRAL

Mr. **Boland**. You have indicated that the President and you particularly have some sympathy for the problems at the local communities. As you know, a number of budgets by the local communities had been structured, including that. The CDBG funding is probably one of the most important funds the local communities have. In a sense, it really is used for great numbers of the community activities, and the reduction there, combined with the phasing out of general revenue sharing programs in the next fiscal year, of course, will impose a tremendous hardship upon them.

As you know, this week the House will consider H.R. 4515, the supplemental bill, and that does, of course, overturn the CDBG deferral.

Whether or not we will have any success in that area, of course, will depend on not only this body, but the Senate and the President himself.

If the deferral is overturned, will the Administration make those funds available, do you think?

Mr. **Moran**. If the half billion deferral is overturned?

Mr. **Boland**. Yes.

Mr. **Moran**. Yes, we will follow the law and make the funds available based on the allocation formula that we use.

Mr. **Boland**. As you know, both the Administration and the Hill has been looking at the question of legislative vetoes and deferrals, and the subject of litigation that is occurring in this area.

Let me ask you again, assume the Senate defies the deferral. If the President signs the bill, how long will it take HUD to make those funds available in all the areas in which the deferrals have been recommended?

Mr. **Moran**. In CPD the only deferral, per se, that we have is CDBG.

Mr. **Boland**. Yes, that is right.

Mr. **Moran**. The funding year is, of course, staggered in the local communities. Some of them have come in for 1986 funding, some have not. The ones that have not would not be affected, because they don't have the 1986 money yet, anyway. They would get the allocations based on the money available, including those funds restored as a result of the Congress overturning the deferral.

Those communities that have come in and have been funded prior to this occurring would have a reallocation of the additional funds that are involved.

The $500 million would be spread out and increase funds to those localities less than 30 percent, I would say—less than 15 percent, less than one-sixth.

So, the ones that have received their funding would get an increase over that immediately, as soon as the funds are available.

Our block grant person is here.

Don.

Mr. **Patch**. Yes, we would get it out.

ADDITIONAL APPROPRIATION FOR CDBG

Mr. **Boland**. If the deferral is overturned, would the Department submit a supplemental request of $500 million for this particular program?

Mr. **Moran**. No.

Mr. **Boland**. Do we——

Mr. **Moran**. For 1986?

Mr. **Boland**. To bring it to the level of $2.6 billion, yes.

Mr. **Moran**. No, at this time I have no indication that we would take that step.

Mr. **Boland**. Mr. Green.

URBAN HOMESTEADING

Mr. **Green**. Thank you, Mr. Chairman.

In the urban homesteading area, at the present time, you have programs that potentially cover FHA single-family and multifamily loans, making those available for homesteading, that is, as well as programs to assist municipalities with non-FHA properties.

Mr. **Moran**. Yes.

Mr. **GREEN**. That are only single-family or small homes.

Mr. **MORAN**. Yes.

Mr. **GREEN**. It seems to me there is a gap in that you don't have a parallel provision for other multifamily loans as you do in the case of the FHA properties.

Mr. **MORAN**. I can only say there was a provision in the funding for 1985 and 1984 for the multifamily demonstration.

That demonstration did not generate much interest. We only identified six communities that were interested.

Consequently, we don't have a perception of there being any interest out there.

Mr. **GREEN**. Can you supply there the names of the six communities?

Mr. **MORAN**. Be glad to, sure.

[The information follows:]

MULTIFAMILY URBAN HOMESTEADING DEMONSTRATION PARTICIPANTS

Those cities identified for participation in the Multifamily Urban Homesteading Demonstration are: Hartford, Connecticut; Boston, Massachusetts; Mount Vernon, New York; Omaha, Nebraska; Des Moines, Iowa; Davenport, Iowa.

WORK-STUDY PROGRAM

Mr. **GREEN**. I have had some people involved in training, urban planners. They are fearful that with the demise of the program within their own 701 program for assisting minority students in urban planning they are going to face a very marked drop off in minority participation in urban planning education programs.

Has the Department looked at that and considered whether the little segment of 701 might be continued?

Mr. **MORAN**. Mr. Gilliam will give that to you.

Mr. **GILLIAM**. You are talking about the college work-study program which has been funded with block grant funds, since the termination of the Section 701 program.

This year we didn't have it in the Secretary's Discretionary Fund, because most of the students needed a two-year commitment and we were unable to do that.

So, it would be unfair to them that we proceed until we had a better handle on where we would be monetarily. We decided to hold off on that.

Mr. **GREEN**. I guess I am getting some feedback from the schools that they are seeing the consequences of that in terms of considerably reduced minority enrollment.

Thank you, Mr. Chairman.

Mr. **BOLAND**. Mr. Sabo.

CDBG TARGETING

Mr. **SABO**. Thank you, Mr. Chairman.

On CDBG, I have heard that OMB has asked you to present some options for targeting funds for larger cities.

Is that the case?

Mr. **MORAN**. No, what OMB has done is they have asked us, and we have responded, to look at retargeting CDBG funds that go to entitlement cities.

We have done so. We have discussed several options and responded to OMB, and discussions are ongoing between OMB and HUD as to what are the best options.

Mr. SABO. Are those options going to have to be approved by the Congress before they would be implemented?

Mr. MORAN. Yes, they would require legislative approval.

Mr. SABO. Have you reached a conclusion yet?

Mr. MORAN. No, we have not reached a conclusion.

We are discussing several options, but the point is to retarget more money to those more-distressed communities and less for less distressed communities.

Mr. SABO. And whatever your conclusion is will be forwarded to the authorizing committee, not implemented by regulation?

Mr. MORAN. No, it requires a change in the statute.

UDAG FUNDING ROUNDS

Mr. SABO. The question on UDAG—and I have heard that HUD is planning to compress UDAG cycles this year—and what I understand is that you are planning to postpone the May review and combine it with the fall cycle in September.

Is that accurate?

Mr. MORAN. We are discussing several options.

During the time that the funds were proposed for rescission the program was in hiatus. We missed two rounds, a small city and a large city round.

The May round was the large cities. The question is, how many rounds will we have between now and the end of the fiscal year.

We are able to have one of each, and the regulations provide for that.

As to whether we do anything else, again, that is under discussion.

Mr. SABO. If your decision is to bypass new applications for the May review and roll those over to September, is it possible for you to review what we call "roll-over projects" in May?

Mr. MORAN. Without taking new applications?

Mr. SABO. Yes.

Mr. MORAN. We can't—we are not discussing that option.

We are discussing the option of a full round, but not taking just hold-overs and giving them funding.

No, we are not discussing that.

We are talking about a full round, perhaps different dates.

Mr. SABO. In May?

Mr. MORAN. No, probably more like June or July——

Mr. SABO. Rather than May or September?

Mr. MORAN. It would be impossible to have a complete large cities round in May, because the open door period has passed already.

We have returned the applications to cities that had submitted them for that round.

So, we would have to simply stagger it, move everything back so many weeks.

Mr. Sabo. The reason I am asking and hope you would look at doing something with the roll-over projects is because those are the ones that have had substantial review already by your staff.

Mr. Moran. Yes.

Mr. Sabo. Some are time sensitive.

Mr. Moran. True.

Mr. Sabo. And people were expecting a May review.

Mr. Moran. Yes. We are sensitive to that.

Under every scenario we have discussed, roll-over projects would be thrown into funding at some point. The question is when, whether quicker or later. There are issues involved there that we are very sensitive to.

Mr. Sabo. I guess I would urge you to get the time sensitive ones done as early as possible.

Mr. Moran. I understand.

STATE AND LOCAL SURPLUSES

Mr. Sabo. One other question—and I am curious about this—your indication of the surplus States and local governments have for, or are projected to have for, 1986.

Do you have available a break down of where those States and cities are?

Mr. Moran. Yes, we can get that data to you in writing.

COMPUTATION OF SURPLUSES

Mr. Sabo. I would appreciate that.

Does it include pension funds?

A few years ago surplus figures for State and local government that the Administration was using included a substantial amount of the money that were the assets of pension funds.

Many State and local governments don't fund pensions on a pay-as-you-go basis.

In our State the policy goal has been to fund pension plans more fully, and so every year the State and local communities—as a matter of fact have requirements to pay back past actuarial debt into the pension funds.

I think that has generally been encouraged by the Federal Government.

Then we have the tables that show surpluses, and they count excess contributions to pension funds that exceed current expenditures.

I am curious if that is in the figures.

Mr. Moran. I am not certain.

The figures we have generally refer to general revenue funds. Whether that includes pension funds, I don't know, but we will get you that information.

[The information follows:]

Composition of State and Local Surpluses

The State and local government surplus figures cited in my testimony were based on U.S. Treasury aggregate surplus projections contained in a March 1985 draft report from the U.S. Treasury Department. Therefore, State- and city-specific data were not cited in this report and are not available. The Department of Housing and Urban Development does not collect nor has available projected or actual surplus figures for specific State and local governments. The figures included in my testimony were a projected 1986 State surplus of $12.9 billion and a local surplus of $7.4 billion for a total of $20.3 billion. Rounding accounts for the discrepancy in the total and the $19.9 billion cited in my testimony.

A more recent draft of the Treasury report provides somewhat lower projected 1986 surplus figures: State governments, $11.6 billion; local governments, $5.1 billion. (Report on Fiscal Regulations, U.S. Treasury Department, CTR 2317).

Social insurance fund surpluses—i.e., pension funds—have been excluded from the figures cited above.

ACCURACY OF SURPLUS ESTIMATES

Mr. **SABO**. I would like to get that, because—a few years ago the numbers floating around were grossly inaccurate in terms of reflecting current fund surpluses and deficits.

Thank you very much.

CDBG GRAMM-RUDMAN REDUCTION

Mr. **BOLAND**. One of the problems I think a lot of members have with reference to the $500 million deferral is that this particular program is being hit harder than a lot of other programs.

A lot of other programs are being hit with a 4.3 percent reduction, but this is a 20 percent reduction, as I understand, in this particular program.

For instance, NASA will be coming up before this Committee in a week or so, and most of the cuts there are only 4.3 percent. And it just seems this is not a very uniform cut within your Department of Housing and Urban Development.

Why didn't they take a 4.3 percent reduction instead of a 20 percent reduction?

Mr. **MORAN**. First of all, the half billion deferral is not in lieu of the 4.3 percent reduction, because the Gramm-Rudman was taken, as mandated, too.

If you look at fiscal year 1985 versus 1986, you see the impact. You have the reduction and half billion dollar deferral, as well as Gramm-Rudman reductions, also.

Mr. **BOLAND**. The Gramm-Rudman for 1986 runs about 40 percent.

Mr. **MORAN**. Thirty-some percent, yes.

Mr. **BOLAND**. And this Committee made a reduction of 10 percent in the CDBG program in 1986, and you had the 4.3 percent reduction and the $500 million deferral in the 1986 program, bringing it down to 1986, then, to $2.1 billion.

One of the problems we would have, I think, if the deferral is overturned, is that the total amount available for fiscal year 1987 would only be $2.1 billion.

Mr. **MORAN**. Yes, the fiscal 1987 appropriation amount, assuming our proposal is not adopted, would be $2.1 billion.

The amount for 1986 would not be affected by the deferral, whether we keep it or if we don't. It was simply another part of our efforts to fight the budget deficits that we are facing.

SECRETARY'S DISCRETIONARY FUND

Mr. **BOLAND**. On page C-5, you mentioned the Secretary's Discretionary Fund, and the indication there was there is a cut in that particular program by about $13 million. I think it runs $60 million, now.

Mr. **Moran**. Yes.

Mr. **Boland**. And last year the Secretary's Discretionary Fund was held harmless while the overall CDBG program was reduced. Now, the 1987 request for you proposes a proportional reduction for the SDF from $57.9 million to $47 million.

Why this particular change? Why was it held harmless last year?

Mr. **Moran**. Again, we simply feel that we have to spread around the painful reductions across the board to all programs.

This particular program, if you prioritize this and look at the proportion of that which goes to Indians and to Insular Areas, that was something we felt had to have a higher priority than reducing the amount the Secretary had in Technical Assistance and Special Projects.

It was a question of taking the cuts where you could best afford taking them. It is a budgetary judgment.

Mr. **Boland**. Footnote B on the table on page C–5 indicates the figures given reflect a proposed reprogramming. First, of course, the reprogramming was not approved, and it has not occurred.

What is the reason for, in the justification, reflecting a reprogramming that has not taken place?

Mr. **Kliman**. Mr. Chairman, our practice has been for many years, when preparing the justifications, to the extent there is a reprogramming pending, to reflect it with an appropriate footnote on the subject.

This year, because of Gramm-Rudman, we had more reprogrammings pending than ever before.

Normally, this happens only on S&E items, but we are applying the same rule to CPD and to Research and to Subsidized Housing and so on.

TECHNICAL ASSISTANCE FUNDING

Mr. **Boland**. The current figure for technical assistance in 1986 is $20.5 million. That is the $23.5 million available after Gramm-Rudman, less the $2.7 million reprogramming which was requested and approved last week.

How do you justify cutting technical assistance in half in 1987, from $20.5 million to $10 million?

Mr. **Moran**. Again, we had to make a judgment call.

We have to look at the demand for various funds. Our demand for TA greatly exceeds the amount of money available.

Mr. **Boland**. Doesn't that request for TA remain constant, approximately?

Mr. **Moran**. Generally.

Mr. **Boland**. I think it runs $50 million year to year.

Mr. **Moran**. Usually, yes, $50 million a year, that is right.

Again, the demand for that is not as high proportionately as demand for special projects.

There we have an exponential demand in the special projects.

SPECIAL PROJECTS FUNDING

Mr. **Boland**. On C-5, again, the presentation of the Special Projects figures raises the same issue as technical assistance.

I am puzzled at the comparison between the $3 million requested in 1987 and the $11,371,000 shown in the 1986 column. What is the difference between 1986 and 1987?

Mr. **Moran**. The 1986 column reflects the reprogramming request we discussed.

The $8.5 million reprogramming request that came over some weeks ago was withdrawn.

We no longer are reflecting that $8.5 million in that context.

The Secretary decided to accede to the request from this Committee as well as from the Senate that he specify which projects he proposed to fund via reprogramming.

You had a small one last week, $2.5 million, and others may follow.

But that number in the justification reflects the $8.5 million, that was not reprogrammed.

SECTION 108 LOAN GUARANTEES

Mr. **Boland**. And in 1987 the budget proposes to terminate the Section 108 loan guarantee program. They made the same recommendation last year, of course.

Before we get into 1987, let's get a look at 1986. Congress continued the Section 108 program in 1986 at $212.9 million, after Gramm-Rudman.

Mr. **Moran**. Yes.

Mr. **Boland**. In the President's 1987 budget, it includes supplemental language to reduce the loan limitation to $50 million. The Congress has not as yet accepted that particular language.

What is the status of this program?

Mr. **Moran**. When the $50 million figure was proposed, that was on the basis of a snapshot we took of our pipeline at the time we proposed it. The pipeline, at that time, showed demand for $50 million. That is why we used that figure.

Currently, that program is in a status somewhat different from a deferral and somewhat different from a rescission.

As I understand it, for this program, if it is not included specifically in the supplemental appropriations language and the bill you may pass, OMB has indicated a willingness to release the funds, which would be $162.9 million.

Mr. **Boland**. Well, if the proposal is not accepted, will the funds then be made available for loan guarantees?

Mr. **Moran**. Yes, again, we will follow the law.

If, in fact, the money is available, by law, we will release the balance of the funds.

I want to say two things; first, the demand historically has not been there. As I recall, of the $225 million available last year, the demand was only about $130-some million.

Moreover, new legislation has passed that will require private financing for Section 108 loans. That money no longer would come from the Federal Financing Bank, FFB. So, it is off-budget, in that sense. So, we remain ready to process loans in the event money becomes available and we will carry out the law.

UDAG FUNDING ROUNDS

Mr. **Boland**. Mr. Sabo has asked a few questions with respect to UDAG funding.

The 45 day impoundment period has passed, and the $220 million has not been rescinded.

I am not sure whether or not there is an indication of how many large city and small city rounds will be held in 1986 to allocate the $220 million.

Mr. **Moran**. As I sit here today, I can tell you we will probably have at least one more round of each this fiscal year. Whether there are more rounds, I couldn't say, and that will be discussed internally.

Mr. **Boland**. It is our understanding that most of the applications were returned to the particular cities that filed them.

Mr. **Moran**. That is correct for the applications filed subsequent to the program rescission that shut down the program. Those applications we already had were held over, such as Congressman Sabo mentioned. We are still holding them and they will be considered for funding at the appropriate time.

UDAG STAFFING

Mr. **Boland**. Look at the staffing for UDAG.

The current estimate for FTE in 1986 is well below the 1985 levels for headquarters and the field. That is thirty against 51 in Washington and 135 against 182 in the field.

I assume that the current estimate figures for 1986 were based on the proposed rescission?

Mr. **Moran**. Yes.

Mr. **Boland**. How many FTEs will be required this year to manage a continuing UDAG program and allocate the remaining $220 million that is available?

Mr. **Kliman**. Mr. Chairman, I don't have the FTE figures. I do have it in staff-years, however. In 1986, it would be an additional 49 staff-years, from 187 to 236 staff-years. For 1987, UDAG requirements would go from 138 to 245 staff-years, an increase of 107 staff-years.

Mr. **Boland**. And how many are currently on board in the UDAG program?

Mr. **Kliman**. I don't have that with me. We will have to supply it for the record.

[The information follows:]

UDAG Program Staffing

As of April 12, 1986, the UDAG staff consists of 52 full-time permanent appointments and 2 part-time permanent appointments in Headquarters and 124 full-time permanent appointments in the Field.

UDAG SELECTION CRITERIA

Mr. Boland. Over the past few years a number of bills have been introduced in Congress to change the UDAG selection and ranking criteria.

HUD has indicated interest in this over the past. Does it support these measures to alter the UDAG critera?

Mr. Moran. No, the Department's position has been and still is that that is within the province of the Congress, and the Department has no particular formula or change in the formula it would recommend.

Mr. Boland. Would you say the Department is satisfied with the formula?

Mr. Moran. We will carry out the law as written, sir.

URBAN HOMESTEADING

Mr. Boland. We will talk about Urban Homesteading, reflected on page E-1. That is a constant figure, maintained at $12 million.

Over the past two years, a major effort was made to expand this program to include multifamily units. The table at the top of this page has no reference at all to multifamily homesteading.

Why is that?

Mr. Moran. As I indicated before to Congressman Green, I believe, we did a multifamily demonstration and we found very little interest in that program from our constituents.

In fact, we only had six cities identified, interested in it. I offered to supply that information to Congressman Green in writing.

We found very little interest in the demonstration.

Mr. Boland. What about the experience of the Department of expanding the program to locally owned properties?

That has been a little discouraging, too, hasn't it?

Mr. Moran. Yes.

I don't have the numbers, but we have attempted to do that.

Mr. Boland. I know the justification indicates that for 1985, 168 units were estimated but only seven were actually conveyed.

Mr. Moran. Yes.

Mr. Boland. What is the reason for the delays here?

Mr. Moran. Well, if——

Mr. Boland. If they are delays.

Mr. Moran. I am not sure it is a matter of delays as much as it is a matter of educating the cities as to availability of money for that purpose.

Mr. Boland. You indicated a number of the VA and FmHA units were conveyed in 1985.

Mr. Moran. Yes.

Mr. Boland. Do you have those particular numbers of units? You may supply it.

Mr. Moran. Yes, we can.

[The information follows:]

Number of VA & FmHA Units Conveyed in 1985 for Urban Homesteading

The number of VA and FmHA units conveyed under the Urban Homesteading Program in 1985 is as follows: VA—82, FmHA—24.

SECTION 312 PROGRAM

Mr. **Boland.** Last year it was indicated that two-thirds of all Urban Homesteading units were rehabilitated using Section 312 rehab loans, the piggy back program.

Again, in 1987 the Administration's budget proposes to terminate the 312 loans.

Isn't that a little inconsistent with the strong position that the Department has had vis-a-vis urban homesteading?

Mr. **Moran.** Mr. Chairman, it is our position that the funds that can be used for rehabilitating urban homesteading properties can be set aside from the CDBG program.

This is currently also being used for this purpose.

We feel, not to mention the fact that in the current economic climate in the country, funds for that purpose can also be secured from the private sector as well as the community set-asides.

So, we feel the use in that area is not a justification for continuing the program.

Mr. **Boland.** As I recall, last year's justification indicated that the CDBG funds could be used as a source of financing rehabilitation of Urban Homesteading Units, but when you start to cut CDBG funds, that doesn't make much money available for rehab, does it?

Mr. **Moran.** The figures speak for themselves, Mr. Chairman.

I would indicate, of the block grant funds, our numbers show that local communities use approximately one-third of them for rehab purposes, in general.

So, they are getting a lot of activity, but the numbers speak for themselves.

RENTAL REHABILITATION GRANTS

Mr. **Boland.** We will move to the Rental Rehabilitation Grants Program, reflected on page F-1.

There are no funds requested for 1987. The Administration has proposed a rescission of the $71,775,000 available in 1986, and the 45-day period for consideration of rescissions has expired. No action has taken place by the Congress.

What is the current status of those funds?

Mr. **Moran.** Well, the 1986 appropriation amount was $75 million, as I recall. After Gramm-Rudman we ended up with about $71 million. It is our intention to put those funds out as soon as possible.

Mr. **Boland.** Would there be any problem in obligating the $71 million in 1986?

Mr. **Moran.** No.

Ms. **Kolesar.** No.

Mr. **Boland.** On page F-1, the 40,000 units shown in 1985 is well above last year's estimate of 31,000 units.

Mr. **Moran.** Yes.

Mr. **Boland.** I understand that this is due to the lower unit cost.

Mr. **Moran.** Correct.

Mr. **Boland.** Would that indicate the rental rehab program is more efficient at providing low income housing than originally believed?

Mr. Moran. Yes, it would indicate it is a very efficient and good program.

We simply based our cost estimates before on projections, and our experience has shown that we can rehabilitate substantially below $5,000 per unit.

Ms. Kolesar. $3,800 in subsidy costs and $8,500 total rehab costs.

Mr. Boland. To date, how many Section 8 vouchers have been used in concert with the rental rehab loan program?

Mr. Moran. As we sit here, our estimate is over 600 vouchers have actually been used with the program.

Over 2,500 certificates have been issued with the program, giving a total of over 3000 units, in effect, subsidized units of approximately 5,800 units that are currently occupied.

SECTION 312 LOAN LIMITATION

Mr. Boland. Let me ask a question that I missed on the Section 312 loan limitation reduction to $11 million.

This action raised exactly the same problems as the Section 108 program in violating the intent of Congress.

Congress has not taken action to implement the proposal to reduce the Section 312 loan limitation.

You indicated that those funds will be made available.

Mr. Moran. Section 108, yes.

RELEASE OF SECTION 108 AND SECTION 312 FUNDS

Mr. Boland. What about the Administration's position on these loan limitations?

What action from Congress do you believe, or does the Department believe, is required to accomplish the release of these funds, or is that essential?

Mr. Moran. Well, it is our position that—I would defer to our budget people and legal people here—but it is our position that, again, the Section 108 situation is not a deferral, not a rescission; it is a supplemental reduction requiring congressional action, specifically by name, mentioning that program by name in the supplemental appropriations bill in order to put that program back on line.

Failing that, if the program is not mentioned in the bill, OMB has indicated they will release the funds.

That is Section 108.

Mr. Boland. I know the Department is aware of the Appropriations Committee's report language accompanying the 1986 Urgent Supplemental bill which directed the funds be made available upon expiration of the 45-day period.

I presumed you would live up to that.

Mr. Kliman. Mr. Chairman, the 312 funds and the 108 funds were not proposed as rescissions and did not become available on the 45th day.

Mr. Moran has already discussed Section 108, which is in sort of a never-never world since the Impoundment Control Act does not apply to guarantee limitations.

With respect to Section 312, that currently is in a deferral status until such time as Congress acts on them and is also a subject of the pending lawsuit.

Mr. **Boland.** You have been around for a while, Al. Would you consider this an illegal impoundment?

Mr. **Kliman.** It is a strange impoundment.

Mr. **Boland.** I am afraid to ask John Knapp the question.

Mr. **Kliman.** It is an unusual situation, Mr. Chairman.

I would hesitate to use the word "illegal," but it is really unusual.

Mr. **Boland.** Well, you are dancing around one that pretty well. Mr. Green.

HEADQUARTERS STAFFING

Mr. **Green.** I am a little surprised as I look at Page J-5 that, although there are marked declines in direct program staff, there don't seem to have been any commensurate declines in overhead staff.

It would seem to me if you are shucking UDAG and the rental rehab program, you might find other savings in the overhead, Office of the Assistant Secretary, Office of Management, Policy Development—you have fewer funds. Why no savings in there?

Mr. **Moran.** Well, I am sorry. I——

Mr. **Green.** You have significant program cuts, and you reflect the cuts in the staff on J-5, the cuts in UDAG staff, Office of UDAG, Office of Urban Rehab, cuts in full-time permanent employees, cuts for staff years.

But since programs decline, there ought to be a decline in the overhead parts of the office, also, isn't that correct?

Office of the Assistant Secretary, Office of Management, Policy Development Office—all of those, it would seem to me, would have less to do.

Mr. **Moran.** We were able to identify specific needs of the staff that would be attributed to program needs, and, as we reduce programs, we can reduce certain staff.

However, other staff reductions such as in the support offices might occur further out, not necessarily at the time of termination of, or after any reduction, of any given program in that particular year.

We are making adjustments in the staffs. I am moving people from the Office of the Assistant Secretary into the program areas where needs occur in order not to exacerbate our staffing situation.

EVALUATION OF RENTAL REHABILITATION

Mr. **Green.** Let me return to the rental rehab program.

I gather in your situation you have found it more efficient and it produced more units for the dollar than you anticipated.

Has any formal evaluation of that been done?

Mr. **Moran.** Well, we are evaluating all the time.

You also notice that we coupled the vouchers with subsidies of these units, and our experience shows you don't need a voucher with every unit as they come on line.

We currently have occupied less than 6,000 units, and we only need subsidies for roughly half of those.

Mr. **Green**. Which is not inconsistent with other experiences in rehabbing older apartment buildings.

Mr. **Moran**. Yes, that is correct.

Mr. **Green**. Given the pleasant surprise, why is this program picked to be zeroed out?

Mr. **Moran**. The program's termination is simply another in our effort to attack the budget deficit.

It is only a budgetary call.

Mr. **Green**. But I would suppose even within that effort in which we are all engaged, those programs that seem to be winners ought to be spared compared with those that don't evaluate as well.

Mr. **Moran**. I understand the reasoning, but if you can't afford them, you simply can't afford them.

That is the Department's position.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Boland**. Mr. Sabo.

DISTRICT HEATING AND COOLING

Mr. **Sabo**. Thank you, Mr. Chairman.

You have a program in the Secretary's Discretionary Fund that provides technical assistance feasibility studies money for district heating and cooling projects.

Mr. **Moran**. Yes.

Mr. **Sabo**. So far, you have not allocated any 1986 funds to this program.

Are you going to fund the program in 1986, and what are your plans for 1987?

Mr. **Moran**. In 1985 we allocated $300,000 to seven cities.

Mr. **Sabo**. And $900,000 in 1984.

Mr. **Moran**. Yes.

Mr. **Sabo**. We——

Mr. **Moran**. We expect to see the results of that allocation in calendar 1987.

We will have the data to evaluate and assess that.

That was a pilot situation involving using public housing authorities as the anchor tenant and the district heating system to see how it would go.

As we assess the results we will begin to look at the question of whether we want to commit future funds to it.

We have not been abandoning that one.

Mr. **Sabo**. My understanding is it is a relatively small investment that has leveraged lots of non-Federal money.

Mr. **Moran**. That is correct.

Mr. **Sabo**. So, the answer is you are not planning any funding in 1986, but you do plan to fund projects in 1987.

Mr. **Moran**. We plan to see how it is going in 1987 and we will make a decision at that time.

It is possible we may go to 1987 on that, but I don't want to commit us to that in 1986.

Mr. **Sabo**. Thank you.

Mr. **Boland**. Mr. Coughlin.

OMB SUBMISSIONS

Mr. **Coughlin.** Thank you, Mr. Chairman.

As the Chairman points out, between the cuts in CDBG, UDAG and revenue sharing, the local folks are going to take a pretty hefty whack this year.

What was your submission to the OMB for the CDBG program?

Mr. **Moran.** Our submission—$3.2 billion.

For 1987, you mean?

Mr. **Coughlin.** Yes.

Mr. **Moran.** $3.2 billion dollars.

Mr. **Coughlin.** I understand that our colleagues in the Senate have budgeted $2.9 billion.

Mr. **Moran.** Yes.

Mr. **Coughlin.** Would that make you happier about your submission?

Mr. **Moran.** That was our original submission, but I would point out that our position in the Administration is that the figure we seek for 1987 is $2.1 billion.

Mr. **Coughlin.** $2.9 billion would make you unhappy?

Mr. **Moran.** Well, $2.1 billion was the figure we proposed, and it would not make us happy to see the Congress deviate from the President's proposal.

Mr. **Coughlin.** Can I ask what your submission to OMB was for UDAG?

Mr. **Moran.** $352 million.

Mr. **Coughlin.** I understand our friends over on the Senate side have $316 million this year, and have proposed $284 million for 1987, 1988, and 1989.

Does that make you unhappy?

Mr. **Moran.** Again, our proposal for 1987 was zero for the UDAG program.

CDBG ENTITLEMENT ALLOCATIONS

Mr. **Coughlin.** With regard to the CDBG program, when do the entitlement communities receive notice of their 1987 grants?

Mr. **Patch.** January.

Mr. **Coughlin.** Was that before or after the notice of deferral?

Mr. **Patch.** We didn't send out figures to the field until we computed the deferral consequences, and we sent out preliminary estimates in early January just for planning purposes and for the first 90 cities due in January and February.

Mr. **Moran.** Congressman, the deferral message, I believe, covered the February submission; but we knew about the plans, therefore, we anticipated reporting that in January.

Mr. **Coughlin.** So the communities were notified at the same time the grant would be reduced?

Mr. **Moran.** Yes.

Mr. **Patch.** Yes.

CDBG FUNDS TO LEVERAGE ECONOMIC DEVELOPMENT

Mr. **Coughlin**. With UDAG funding, your justification indicates that you can promote this concept of leveraging funds in the public-private partnership through the use of CD funds.

How do you expect that to work in view of the CD deferrals and reductions?

Mr. **Moran**. Again, this is the same issue raised before.

We are proposing the termination of UDAG but the fact is that many UDAG activities are eligible for block grant funds. Many of the communities are using block grants to leverage private funds.

Mr. **Coughlin**. Would you submit regulations so the communities would know that?

Mr. **Moran**. The existing guidelines provide for that.

Mr. **Coughlin**. Under CDBG?

Mr. **Moran**. Yes, under CDBG.

Mr. **Coughlin**. Can this be done in communities not UDAG eligible, however?

Mr. **Moran**. Yes, I believe so.

Mr. **Patch**. Yes.

Mr. **Moran**. Anyone who receives the block grant funds, they can do these activities.

Mr. **Coughlin**. Thank you, Mr. Chairman.

Mr. **Boland**. Mr. Green.

CDBG SMALL CITIES FUNDING IN NEW YORK

Mr. **Green**. I was a little puzzled to see in the March 4 Federal Register a notice that small city CDBG applications for New York can be filed between February 24 and March 10.

Obviously, if a small city was relying on the Federal Register to find out this was going to be the case, this would leave rather little time.

Do you know how that happened?

Mr. **Patch**. The notice in the Federal Register came out March 4, ten days later than the initial offering date.

We had held conferences in the Area Office administering the small cities program for the State of New York inviting people to participate and letting them know what the ground rules were.

The delay in issuing the notice was regrettable, but everybody knew what the deadlines were.

I assure you of that.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Boland**. You know, you run this program awfully well.

I must say that if the program goes down, you are going to be able to get a job with the Conference of Mayors or League of Cities, Don.

Mr. **Patch**. If it goes down, they may not want to speak to me again, but thank you, Mr. Chairman.

Mr. **Boland**. It has been run well, and we can understand the problems. Some people can understand the position of the Administration on it, I believe.

The question I have, Al, is it easier being Assistant Secretary or Regional Director under these circumstances?

Mr. **Moran**. Under these circumstances?

Mr. **Boland**. Yes.

Mr. **Moran**. I would defer to Mr. Green on that one.

Mr. **Green**. Yes, I have some experience.

Mr. **Boland**. Well, thank you very much. We enjoyed your answers to the questions, and we appreciate your appearance.

Thank you, Al. Thank you all.

Mr. **Moran**. Thank you, Mr. Chairman.

SUMMARY OF PDR REQUEST

Mr. **Boland**. Turn to Policy Development and Research. We are delighted to welcome Assistant Secretary Dr. Koch, who has been here before.

Do you have any new people with you this year?

Ms. **Koch**. No, Mr. Chairman, I think you have met everybody. Duncan MacRae may be here for the first time. He is my new Deputy for Economic Affairs and was not on-board last time.

Mr. **MacRae**. Hello.

Mr. **Boland**. We are glad to have you.

Your request is $18,900,000 this year, as opposed to $16,173,000 in 1986, which reflects the $727,000 Gramm-Rudman reduction.

The 1987 request is an increase of $2.7 million above the current level.

Work-years are down a bit, though; there is a decrease of 11 FTEs below the current level, and 27 FTEs below last year.

I know you have a statement, Dr. Koch. Why don't you go ahead and proceed.

We will have questions for you afterwards.

SUMMARY OF OPENING STATEMENT

Ms. **Koch**. I had not intended to read the statement, Mr. Chairman. I thought I would submit it for the record. I would just sum up the areas that we had hoped to focus on with the 1987 request and simply state there are several research areas of priority within the Department.

PUBLIC HOUSING

The key area we will be working on will be public housing, and a lot of this work is obviously at the request of the Office of Public Housing. We will continue to do modernization needs studies which will be winding down the end of this year, but coming out of that will be the need to do modeling of formulas as part of the proposed comprehensive grant legislation. We have been asked to develop a project-based accounting system, and we have been asked to focus on management improvement techniques by the Office of Public Housing. All these projects are rather big priority items for the Office of Public Housing.

There have been several other things, things of less priority, because we just don't have the money to undertake them. But they are management improvements, and perhaps we would work on them if we had the money. For now, we will focus on the project-based accounting and the formula work.

In the tenant management area we will undertake an evaluation of existing tenant management groups. This study was requested by OMB, because we had a new proposed tenant management regulation—a priority within the Department.

ASSISTED AND INSURED MULTIFAMILY HOUSING STOCK

We are completing the first stage of a multifamily stock study that we undertook at the request of the Office of Housing; and it was, again, a high priority within the Department. That study uses a sample of 500 existing multifamily buildings. We are doing that study on the basis of in-house work and inspections that the Office of Housing helped to fund. It gives us a sense of the condition of the stock, but it is clear we have to do much more elaborate work on determining what the full physical and financial needs are.

The one thing we note is there is no real bulge in capital replacement needs, but we think we have to look now much more deeply at the stock, to look at the financing. We had only the existing financing data. We don't know whether the tools in place will help preserve the stock. We know we have to look at the lock-in expirations and undertake a much more full-scale study in this area.

RESEARCH DATA BASES

Another priority area has been to rebuild the research data bases within the Department. We obviously do basic research at the request of every office in the Department. We do all types of formula work. We have to rely on the data the Department collects. The basic control of the data belongs to the Office of Administration and the program offices, but there is no one who oversees the data from the research perspective. We would like to undertake an improvement of the Department's data bases, because whenever we go out to do research, as we did when we did the multifamily stock study, we find great big gaps.

The Program Offices are interested in program operation, not necessarily in collecting the data. We would like to show that good collection of data will improve management of the programs, as well as development of feedback systems, so we can improve all the data we collect. I would like that to be the first stage.

HOUSING FINANCE

The fourth high priority is in housing finance. We have worked with FHA and undertaken a study which will soon be completed on who is really using FHA. We will be working with the General Counsel on a major study that will be undertaken on FHA eventually.

We are working on a whole range of secondary market issues to improve housing finance, and this is at the request of everybody who works in housing finance and is part of the needs of our own Department. We also are working with Housing on development of appraisal models, trying to put those in place. Some of this will be contracted out, but it has a high priority.

The Secretary has made the development of tax modeling and assessment of tax changes in housing a high priority, and we have developed that capacity and continue to work in this area. Depending on what happens, of course, with legislation, we will continue work in this area.

FAIR HOUSING

The last area is fair housing, which is a high priority of the Department and the Secretary. We would like to update the housing market practices study. The data we have is from the late 1970's. So what we envision in 1987 is to begin to map this study out, and that will be a $200,000 or $300,000 effort. The actual study will be much more than that.

Those are the major areas, Mr. Chairman.

Mr. **Boland**. Thank you very much, Dr. Koch.

[The statement of June Q. Koch follows:]

STATEMENT OF JUNE Q. KOCH, Ph.D.
ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH
BEFORE THE
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
THE HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 1986

Mr. Chairman and Members of the Committee:

I am pleased to testify before you today on the Department's 1987 Research and Technology request for $18.9 million. Last year I told you about our refocusing of the research program so that it would enable PD&R to effectively perform its chief function--developing policy for the multibillion dollar operation that is the Department of Housing and Urban Development.

Since that time, we have examined our priorities and identified five critical areas in which both long-and short-term research is needed so that intelligent and informed choices can be made about future policy directions. These areas have been identified in consultation with other HUD Assistant Secretaries and the agenda addressing these areas is designed to meet program needs. Today I would like to discuss these five areas with you and demonstrate why our research request is vital to the missions of the Department.

The first area is the management and operation of the public housing program. Development of improved management techniques is the highest priority of the Office of Public and Indian Housing and we are undertaking this work at their request. They have asked us to develop a project-based accounting system. We will also be developing formulas to measure more accurately PHAs' modernization needs and research on utility consumption levels. Other projects, aimed at providing improvements on specific aspects of PHAs' operations, are also planned.

In addition, the Department has taken steps to improve the management of public housing projects by encouraging the creation of tenant management corporations (TMCs). In a number of cities, tenant management groups already in existence have reported great success in working with their housing authorities to increase rental income, reduce vacancy rates, improve property management, and coordinate and improve the delivery of social services to residents. In order to encourage the creation of new tenant management corporations, HUD has issued for public comment a new regulation which would codify and clarify HUD policies on tenant management. To assist PHAs and tenant groups in choosing strategies for tenant management, we will be evaluating the accomplishments of existing TMCs.

The second area is the physical and financial viability of HUD's assisted and insured multifamily housing stock. The Office of Housing considers this to be an area of highest priority and has asked us to help them better understand the nature of this stock. There is a large Federal investment in this stock and we need a great deal of project-level information to determine whether the available financial resources are adequate to maintain the stock.

We envision a two phase study. This year we have been conducting the first phase, a preliminary assessment of the condition of this stock. This phase, which will be completed in about a month, involved an on-site inspection of approximately 500 older projects by trained housing inspectors and the combination of this information with as much financial information on these projects as could be obtained from HUD's management data bases.

Preliminary indications from the Phase I study are that there is no evidence of a widespread capital replacement problem. There are problem projects which do not appear to have the resources to handle replacement needs, but they do not seem to be concentrated by age, location, or program. In particular, there is no "bulge" in capital replacement needs coming over the next few years, as many people have feared.

The second phase, which will require substantial contract resources, will examine the financial situation of this inventory in more detail, considering the locational and market issues that affect the future viability of the projects, the management practices of HUD and project owners, the effects of lock-in expirations, and the impact on project residents of financial difficulty. Phase II work will also produce tools for measuring the cost effectiveness of current and proposed strategies for this stock.

The third area of critical importance to the Department's mission is the rebuilding of the Department's research data bases. For much of the data we use for program analysis and evaluation, we must depend on data systems maintained by HUD program offices. Typically, these systems are designed to serve only very specific program needs and there have been serious problems with missing data when that data is not related to an immediate program need. Furthermore, efforts to integrate the systems to link information on housing activities across different housing programs are rare. As a result, we are unable to use the systems for broader program evaluation purposes. While program offices and the Office of Administration will retain on-going responsibility for these data systems, we are proposing to demonstrate how these systems could be made more effective tools for program management and quality control, as well as research tools. We are proposing to develop feed-back systems to improve data quality and to alter system design to allow more cross-referencing to other systems. Public Housing's FORMS system (which provides basic information about each public housing project) and the Section 8 Management Information System (MIS) are prime candidates for this effort.

A fourth area of importance is the maintenance of the housing finance system and the enhancement of homeownership opportunities. This work has far-ranging effects. The Working Group on Housing Finance Issues of the Late 1980's, which I established, is composed of leaders of the housing finance community and meets informally to identify emerging issues that need attention by HUD and by the various other parts of the Federal Government that play a role in housing finance.

This is a continually evolving area, affected by changes in tax policy, private market decisions, and consumer behavior. Our research must be able to keep up with developments in this area in order to ensure that adequate funds are invested in housing through a strong and stable housing finance system.

Our research agenda will be focusing on several areas. First, we will be working on initiatives to improve the efficiency of secondary markets including examining problems of trading Mortgage Backed Securities, especially Collateralized Mortgage Obligations; improving the tax treatment of multiple class pass-through securities; developing additional ways to provide call protection for investors; and working with GNMA and other issuers to make the securitization of Adjustable Rate Mortgages more feasible.

Second, and a high priority of the Secretary's, we are working on tax policy issues. We have developed the capacity to analyze the impact of proposed tax changes on housing investment and housing costs. We are using several models for this analysis and developing a Metropolitan Housing Model to analyze effects. Work will continue in this area as new developments occur in the legislative process, focussing on the relation between housing investment and investment in other sectors of the economy using a General Equilibrium Model of the economy. In addition, at the request of the Secretary, we are working with the Congressional Finance Committees on the possibility of incorporating Enterprise Zones into tax reform proposals. Should this be achieved, we will be analyzing and monitoring the effects of this initiative.

Third, we are working on several projects to improve FHA. We are nearing completion of a study of the Section 203(b) program to obtain a profile of the homebuyers served by the program in various housing markets. In addition, we will be examining mortgage underwriting issues that threaten the integrity of FHA programs. As part of this work, we will be developing appraisal models and credit scoring proposals to assist in the review that is a crucial aspect of the Direct Endorsement Program.

Lastly, we are continuing to develop the capacity to monitor the activities of FNMA to help HUD carry out its Congressionally-assigned oversight responsibilities for the corporation.

The fifth area of importance is the development of strategies for the promotion of fair housing and the prevention of discrimination. The Administration remains committed to the goal of ensuring that all Americans should be able to choose where they want to live. In the past few years, budget reductions in the research appropriation have necessitated lower funding in this category than we would have liked. This is a situation that must not continue. We need to update the landmark Housing Market Practices Study to determine what is the current extent of discrimination in this country. We do not have sufficient information about the effectiveness of our enforcement tools to prevent discrimination on an individual basis and our processing of systemic complaints to prevent discrimination on a large-scale basis. In addition, we need to know if discrimination is causing voucher holders to restrict their housing search.

In addition to these five critical areas, PD&R must continue to provide high quality research and analysis through the major projects which are already in progress. I would now like to discuss the status of these projects.

Modernization Needs Study

PD&R is completing work, with the assistance of a contractor, on a large scale study of the modernization needs of public housing projects. The study, to be completed in December 1986, will provide estimates of the cost of repairing and modernizing the nation's public housing stock.

Housing Voucher Demonstrations

During 1985, PD&R began implementation of a major demonstration to examine the costs and outcomes of a housing voucher program. This demonstration, which includes 4,000 vouchers at 18 local and two State PHAs, will last four years and will compare the voucher approach to the current Section 8 Existing program. PD&R is not only running the demonstration, with the assistance of the Office of Housing, but will also be conducting a comprehensive evaluation of the program. In addition, 41 PHAs have been selected for a demonstration to test the workability of housing vouchers in small PHAs and rural areas. This demonstration is being closely monitored and evaluated by PD&R in-house staff.

Other Evaluations

We are continuing work on evaluations of programs created by the Housing and Urban-Rural Recovery Act of 1983 or otherwise mandated by Congress.

> We have completed an analysis of HoDAG projects approved for funding, but are also planning to look at these projects again after they are occupied to examine the quality of the housing, its cost, and the types of families who are living there.

A contract was recently awarded to the Urban Institute for an evaluation of the Rental Rehabilitation Grant Program. The evaluation is scheduled to be completed by the end of the year.

Contracts for evaluation of the new components of the Urban Homesteading Program have also recently been awarded. The evaluation of the Multifamily Urban Homesteading Demonstration is being conducted by Abt Associates and is scheduled to be completed in September 1987.

The evaluation of the Local Property Urban Homesteading Demonstration is being conducted by Urban Systems Research and Engineering and is scheduled for completion in August 1987.

The evaluation of the Neighborhood Development Demonstration is being conducted by Pratt Institute and is scheduled to be completed in May 1987.

We have recently received the final report on child care in public housing projects from Westat, the contractor who performed the work. The report is currently being reviewed in PD&R and will be placed in Departmental clearance shortly.

Affordable Housing and Rehabilitation

The Joint Venture for Affordable Housing, which is designed to make housing more affordable by removing restrictive local regulations that add unnecessary costs to housing, continues to produce dramatic results. There are currently 39 projects underway or completed in 33 States. These projects demonstrate that builders and local government officials, with Federal technical assistance but without Federal subsidy, can reduce housing costs by as much as 20 percent through local regulatory change. Because of the success of this initiative, we are proposing to include housing rehabilitation under the Joint Venture.

Housing Finance

Current work in this vital area includes a report to Congress which examines how the relationship between FNMA and the Federal Government should develop in the future. We will soon submit to Congress the requested report on home equity conversion mortgages and are also preparing a report on prepayment penalties. We have recently finished work on how seller financing, for example, buydowns, affects appraisals and can have detrimental consequences for buyers and FHA. This work led to a major revision in the FHA policy regarding buydowns. We are working with the major Wall Street firms, the Public Securities Association, the SEC, and other interested parties in developing ways to enhance secondary trading of Collateralized Mortgage Obligations. Last summer we worked very closely with GNMA to assess options for resolving the difficulties traders are having in settling GNMA trades, the so-called "paper blizzard" problem.

Urban Data Base

We have developed an Urban Data Base to make available a wide variety of data on the social, fiscal, and economic conditions of urban counties, cities, and metropolitan areas. This data should greatly increase our analytic capacity.

Improving the Quality of Life for Low-Income and Public Housing Residents

We are continuing the implementation phase of our Quality of Life demonstrations. While funding for these projects occurred in previous years, we are monitoring closely the progress of these demonstrations. Eighteen PHAs and IHAs have been selected to participate in the Public Housing Homeownership Demonstration. The PHAs currently participating plan to sell up to 1,400 units of public housing to residents. We are still working with some PHAs to complete program designs, but the total units will not exceed 2,000. One sale has already been made, in McKeesport, Pennsylvania. On January 8, 1986, a family who had lived in public housing for 20 years bought the house they have occupied for the last three years. Sales are expected shortly at several other sites, with the sale of about 300 units planned by the end of the year. We will be conducting, with the assistance of a contractor, a multi-year comprehensive evaluation of the demonstration.

The Minority Youth Training Initiative, which proved to be successful in providing disadvantaged young men and women living in or near public housing with training and job placement for jobs related to the management, maintenance, and repair of housing, has now become an operational part of the Comprehensive Improvement Assistance Program (CIAP). As a result of this policy change, almost 50 PHAs used FY 1985 CIAP funds for tenant training programs.

Project Self-Sufficiency with a second round announced in 1985, will be providing a total of 10,000 single parent households in 155 communities with a comprehensive package of services designed to help these people move into the economic mainstream. Housing assistance, in the form of Section 8 certificates, is the key to providing participants in this demonstration with the stability necessary for them to take advantage of opportunities for upward mobility. A two stage evaluation of the program is planned, as it moves through implementation.

Finally, as you may know, HUD has been designated as the lead agency for United States participation in the International Year of Shelter for the Homeless. We will be conducting several activities, including an awards program for local projects, in support of this Year.

In conclusion, we believe that the FY 1987 research agenda will begin to provide answers to some key questions facing the Department. It will help both us and the Congress understand and evaluate policy options.

Thank you for allowing me to present our FY 1987 research program. I would be happy to answer any questions you have on our current activities or our plans for 1987.

HOUSING SURVEYS

Mr. **Boland**. Last month, the Committee approved your proposed reprogramming to adjust for the Gramm-Rudman reductions. The annual housing survey, one of the PDR's biggest responsibilities, is now reduced to $9.8 million in 1986. That is $1.5 million below your operating plan.

Can you really meet the responsibilities imposed upon you by this survey at that level?

Ms. **Koch**. Our feeling is, generally—and Duncan, you may want to add to this; this is particularly your area—that nobody wants to deal with any of the cost reductions, but we have had to. We had to make improvements that we have been working on with the Census Bureau and with others involved in the whole American housing survey.

We think, given the way the new questionnaire and other improvements are going, the data will be even more accurate and the survey will be all right.

Do you want to add anything, Dr. MacRae?

Mr. **MacRae**. I think we have devoted a great deal of time working with the Census Bureau and ascertained what the impact for cuts in costs would be, and we have not seen significant reservations on their part.

Mr. **Boland**. As we understand it, this survey is made every two years, so any reduction made in one year must be made up in the second year of the survey.

Is the $12,165,000 for 1987, shown on page K-4, sufficient to offset the reduction taken in 1986?

Ms. **Koch**. I think so, yes.

As far as we can estimate now, yes. Yes, Mr. Chairman.

ASSISTED HOUSING RESEARCH

Mr. **Boland**. On page K-4, again, the biggest increase in 1987 is in assisted housing research. I guess that is made up of two particular areas, project-based accounting for public housing PHAs, and an assessment of the insured multifamily inventories.

Is that correct?

Ms. **Koch**. That is right.

Mr. **Boland**. Can you indicate how much is associated with each of these efforts in 1987?

Ms. **Koch**. Yes. Where do we have the breakdown—$300,000 for the multifamily stock?

Mr. **Smith**. That was preliminary, but it could raise to a much higher figure.

Ms. **Koch**. That is our estimate on the next phase.

And, Henry, how much are we projecting for project-based accounting?

Mr. **Felder**. Roughly $300,000.

Ms. **Koch**. About the same?

Mr. **Beirne**. Project-based accounting is $300,000; full-scale multifamily stock could be very large.

Ms. **Koch**. The first stage of it will cost $300,000. There are so many pieces to examine. We wanted to look; we have discovered there is not much of the stock in our sample that is in jeopardy, but there is some of the stock that is going to have a problem.

What is the problem? Does it have to do with financing techniques, the remedial tools that have been attached, with market conditions, etc.? So, this breaks down to several new pieces that ultimately will lead us to modeling of finances. We are projecting that this could cost well over a million dollars, but just a phase at a time.

Mr. Boland. When do you expect to complete this work in this area, the assisted housing program?

Ms. Koch. The multifamily stock study, the first stage will be completed—we will have the first report in May. We have now the tentative conclusions from that.

We would then move on to the next stage. We think by the end of 1987 we should have a fuller picture of the stock.

PD&R'S RESEARCH AGENDA

Mr. Boland. In the past there have been some concerns over whether the PD&R's research agenda was meeting the needs of the HUD program offices. As you know, the Committee last year directed that PD&R return to a formal "research call" to better identify the program offices' research needs.

This was a recommendation that the IG made, too.

Ms. Koch. ~~Yes.~~

Mr. Boland. Did HUD use this formal research call process to develop its 1987 PD&R budget request?

Ms. Koch. We sent out a written directive to the Assistant Secretaries and then met with the Assistant Secretaries. Yes, we did.

Mr. Boland. Okay.

Ms. Koch. I think where we have differed from the way it was done in the past is it was sent out to the various program offices, and the follow-up was not directly with the Assistant Secretary.

What we wanted to do was send it out and then make sure that we had the Assistant Secretary for a Program Office focusing on these needs and that we met with that Assistant Secretary, as well.

Mr. Boland. If you don't use the research call, what particular procedure do you use in its place?

Ms. Koch. If we do not use that—it would have been—I wouldn't have a way. We have to deal with the Assistant Secretary.

One of the things with the current situation is there is a lot of interaction among Assistant Secretaries. I will often get a call that is outside the formal research call from an Assistant Secretary saying, "this is a high priority."

The multifamily stock study was done because Assistant Secretary Barksdale, who asked to meet with us, said it was his highest priority.

So, much of our work comes from that way, too.

Mr. Boland. What about the IG recommendations in this area, concerning the need for formal program office input?

Until now, priority research areas and related budget submissions have been developed within PD&R without formal input from the HUD program offices.

Ms. Koch. That report is the same report given to us by the IG when I came into office.

Mr. Beirne. Yes.

Ms. Koch. It was a report by the IG that looked at PD&R, and when I came to take the position we were briefed by the IG. There were a number of things in that report, not just that area, that corroborated concerns of mine.

I think we have implemented much of what the IG suggested in that report, not just in that area.

Mr. Boland. Do we understand now that input is being developed through the program offices?

Ms. Koch. Definitely, Mr. Chairman.

[Clerk's note.—Subsequent information revealed the witness' testimony to be inaccurate. In fact, the Office of Policy Development and Research used an informal, oral process to obtain program office views on 1987 research priorities, instead of the "formal research call" directed by the Committee report accompanying the 1986 Appropriations Act.]

EVALUATION OF CHILD CARE SERVICES

Mr. Boland. In 1984, this Committee called for a report to Congress evaluating child care services in public housing.

That report was due on March 1, 1985. What has happened to that? It is over a year late.

Ms. Koch. It is late, Mr. Chairman, and I want to review why that happened.

It took a while to get started—simply because any research project takes a while to—but that was not the usual few months allotment. The survey forms had to go to OMB; and, unfortunately, I think it was at OMB for at least four months, which slowed us down drastically. So, the process didn't move expeditiously.

When the report finally did come in, we were very dissatisfied with the report. We didn't feel it gave us sufficient information. We felt it was sketchy in a lot of areas. We sent it back to the contractor to re-do, and when it was submitted the second time we were not satisfied. So we brought in another contractor, and it is now rewritten, and the draft just came in.

So, partly it was process, partly OMB, and partly the poor quality of the product when it came to us; we did not think it was acceptable.

Mr. Boland. Really, it is the kind of a report that shouldn't take that long.

Ms. Koch. It shouldn't take that long.

One of the problems is the limited circle of contractors that I have to work with—there are only a few contractors who come in and want to do the PDR programs.

We have taken steps, Mr. Chairman, to try to change the way the advertised proposals are drafted, so we don't deal with a very limited universe all the time. We don't always have to limit selection to two or three firms before making a decision; we don't always look to those who have already dealt with HUD programs, because you are back to the limited universe.

This study was a case of a contractor not being sufficiently capable of doing the job.

So, it is something we are very well aware of and very concerned about—that it took this long to do it. And when it comes in it isn't as good as it should be.

QUALITY OF LIFE DEMONSTRATIONS

Mr. **Boland**. Over the past couple years, PD&R has placed considerable emphasis on the so-called "Quality of Life" demonstrations. The 1987 justification makes very little mention of these demonstrations. What has happened here?

Ms. **Koch**. Well, they are all on track. They no longer require new funding, so they are not in the budget request.

The first one, Minority Youth Training Initiative, is no longer a demonstration. It has been incorporated under the regular modernization program, and I think approximately 44 PHAs are doing minority youth training as part of their modernization program.

The Public Housing Homeownership Demonstration is being implemented and closely monitored at 18 sites—one site in Lowell, Massachusetts, dropped out. One sale has occurred. We expect about 300 sales in the next few months. Every one of the sites is progressing according to schedule, and we think it is well on track.

Project Self-Sufficiency also no longer requires funding. Again, it is closely monitored. Each site is coming into that program at a different pace. So, 4,000 women currently are in the program, and 1,000 have been placed in jobs. Again, we are closely monitoring what goes on in the various sites. The Oasis transfer is going on now in Houston, and the last demonstration, the Small Business Opportunity Program, I think the contract is now being selected.

Mr. **Boland**. What happened to the demonstration of small business opportunities in public housing that had been mentioned last year?

Ms. **Koch**. That is the one where the contractor selected is currently undergoing an audit. When that is completed, then that project can begin.

Mr. **Boland**. Has the Secretary's Discretionary Fund been used in any of these particular studies or areas?

Mr. **Kliman**. Not recently.

Ms. **Koch**. It was for the Small Business Opportunity Demonstration because that is a technical assistance program; so that funding is from the discretionary fund.

And the original Project Self-Sufficiency money, about——

Mr. **Beirne**. Two hundred fifty.

Ms. **Koch**. $250,000 because it was all technical assistance. That was also——

Mr. **Boland**. What about public housing management?

Ms. **Koch**. That is from our funds.

Mr. **Boland**. The problem we have is I don't know whether these particular surveys and studies and research projects ought to be funded under the Secretary's Discretionary Fund rather than in PD&R.

Ms. **Koch**. Well, the difficulty comes with technical assistance needs and, also, from what other Departmental priorities are. If it fits under the CPD technical assistance fund, if it meets the use requirements of that area, if the emphasis is TA, we discuss it within the Department and make a determination about whether that source of funding for that should be the Secretary's Discretionary Fund.

In those two areas it seems to be suitable to tap into that funding.

PUBLIC HOUSING HOMEOWNERSHIP DEMONSTRATION

Mr. Boland. Last year, as you recall, and everybody else in this room would recall, this Committee agreed, with some misgivings, to permit HUD to undertake a demonstration of selling no more than 2,000 public housing units to tenants.

How is that demonstration progressing?

Ms. Koch. I think it is progressing well, Mr. Chairman. We are still under the 2,000-unit limit; 1,400 units of public housing have been approved for sale. We are working with L.A. County on their proposal, but we would stay within the limit.

As I mentioned, one unit in one city has been sold; 300 will be sold soon.

Mr. Boland. You must be disappointed at that rate.

Ms. Koch. No, because we thought—we knew—implementation would take some time.

You may recall that we left the kinds of determinations on who will be eligible and what the sales price would be, on what the form of the sale would be, up to the localities. So, they each have a different timetable.

In Paterson, where they are doing more complex multifamily projects, they put the tenant training in place, selected the kind of people who will be the new owners, but they have not yet officially moved toward establishment of the co-op or condo.

Where we have fee simple sales, it is less complicated. Where there will be fee simple sales, a lot of these will occur this year.

Mr. Boland. How many units do you expect to be sold by the end of the year?

Ms. Koch. By the end of this year, maybe about 400.

Mr. Boland. How many?

Ms. Koch. Maybe 400; between 300 and 400 units. Then, at the beginning of next year a lot will be happening; many more will be in place—ready for sale.

FUNDS FOR QUALITY OF LIFE DEMONSTRATIONS

Mr. Boland. Will you submit for the record a summary of all funds spent by the Office of Public Affairs in support of the Quality of Life demonstrations in 1984 and 1985?

[The information follows:]

Support From the Office of Public Affairs

The total funds spent by the Office of Public Affairs in support of the Quality of Life Initiatives in 1984 and 1985 was $2,900 for information kits.

TENANT AFFORDABILITY

Mr. **Boland**. This Committee's most fundamental concern, as you know, over selling public housing units, in addition to reducing the stock, was that the tenants simply would not be able to afford to purchase the unit they are in.

I think this concern was bolstered by HUD studies in 1984 and 1985 which indicated that 90 to 95 percent of tenants could never afford these costs.

What has been the experience to date with the demonstration in this regard?

Ms. **Koch**. The range of tenant incomes is fairly wide, so far, in the demonstration, as low as $5,000 and high as $18,000, and upwards in some areas.

The sales price and mechanism for financing are being structured to allow people with lower incomes to purchase these units. Sometimes there is a second mortgage, sometimes there is a State housing finance agency assistance. Sometimes the sales price is pegged to a level that the tenants can afford. So, the sites are working to meet the requirements so the tenants can buy their units.

In some cases, Mr. Chairman, for example, in Baltimore, they are selling for close to market value—that ranges from $20,000 to $25,000—public housing tenants are able to afford that.

It depends on what kind of stock.

Mr. **Boland**. What percent of the units in the demonstration have tenants whose incomes are sufficient to afford the purchase.

Ms. **Koch**. What percent of the units?

Mr. **Boland**. What percentage of the units in those demonstrations have tenants whose incomes are sufficient to afford purchase?

Ms. **Koch**. Every one of the units in the demonstration will be pegged to tenants living in public housing units. They are pegging the income or sales price to the income of the tenant.

PUBLIC HOUSING OPERATING COSTS

Mr. **Green**. This is what puzzles me.

We provide over $1,000 per unit per month for operating subsidies which seems to us to suggest that if you gave the units away, the people couldn't afford to operate them paying 30 percent of their income to keep up the housing.

How does it work?

Ms. **Koch**. Well, general operating assistance takes in more than that, because you include vacant units in the calculation for operating subsidies. But what housing authorities are doing is being sure no one pays more than 30 percent of their income.

Some PHA's establish capitalization funds that come out of the sales proceeds, so if there are major repairs these funds will be able to pay for them. It has been estimated differently site to site as to the amount of money needed for repairs.

One of the requirements is that the units be in good condition when sold so they will be rehabbed if necessary.

Mr. **Green**. I wasn't even adding in the cost of the mod program.

Ms. **Koch**. I understand, but I am just saying that the sites are actively working to make sure that not only will the purchase price be affordable for families of these incomes, but they will be able to maintain the unit as well. In addition, some units will have tax abatement on a temporary basis and so on.

Mr. **Green**. It is already tax abated.

Ms. **Koch**. But these will become private properties.

Mr. **Green**. You start out with the fact that, as public housing, they are tax abated. They are paying 10 percent instead of the tax rate.

Ms. **Koch**. True.

Mr. **Green**. If they modify, they need operating subsidies, and the tenants are paying 30 percent already as rent.

Ms. **Koch**. But there are hard-to-maintain and not-hard-to-maintain units. A lot of the units in the demonstration are scattered sites, so they are not hard to maintain, and they are good condition; the units will be able to be maintained by the people with the incomes that the housing authorities are setting. There is a range, of course, for operating subsidies; they are not all $1,000.

Mr. **Green**. There may be over-income tenants in public housing, but it is hard to see how they can make this work.

I don't see the prospect, given the numbers.

Ms. **Koch**. So far, $18,000 is generally highest of the income of anyone who will be in this demonstration.

TENANT DISLOCATION

Mr. **Boland**. We understand in the demonstration that there are a number of units where the tenants' income is insufficient to purchase the units, which gives rise to the problem of dislocation.

I would think that in this kind of demonstration where the tenants cannot afford to purchase the unit that you are running into the problem of involuntarily dislocating them.

What about this?

Ms. **Koch**. You could——

Mr. **Boland**. Has the Department taken steps to prevent that kind of thing?

Ms. **Koch**. We have, in the initial announcement, made clear that there can be no involuntary relocation.

Many of the sites are selecting units for purchase only if the person living there wants to buy it; they are limiting purchase only to those currently there. There may be a problem in the multifamily sites where the general feeling is that to convert to a co-op or condo, you want most of the people living there to be part of it. Where you don't have enough people who want to be part of it, then conversion really becomes difficult.

Every site we are dealing with where it could be an issue we are monitoring closely, because we don't want anyone to be involuntarily displaced—relocated. We don't want the relocation costs to be too high, so we are looking at this issue carefully.

There are one or two places where it might turn out to be a difficulty, where the Housing Authority is aware that it might be a difficulty. They know that. But the bottom line is nobody will be involuntarily displaced.

DENVER SITE

Mr. **Boland**. At the hearing before the Banking Committee last week, details of only one Public Housing Homeownership Demonstration project were revealed, the one in Denver. That case raised some real questions. Of the 64 units in the project, 20 are to be demolished, and 44 will be renovated and sold. But reportedly, only three of the 67 tenants have income sufficient to qualify to purchase these units.

Is that information accurate?

Ms. **Koch**. No, no. The three is not accurate.

There is going to be some demolition and not only the tenants living in those units want to buy. It isn't just a matter of sufficient income. They are asked, do they want to buy or not.

Do you have the numbers for Denver?

I can supply it to you, Mr. Chairman, but I know that three is not correct.

[The information follows:]

Eligible Tenants in Denver

The block to be sold is part of a nine block public housing development. There are three families on this block who are interested and eligible to purchase. In the entire development, there are 30 families interested and eligible to purchase. The remaining purchasers will be selected from other public housing projects, and will be drawn from a pool of over 250 eligible and interested families.

Mr. **Boland**. Were you a witness at the hearing before the Banking Committee?

What was the response to that?

Mr. **Beirne**. Well, there are a couple of different elements in the response. One is that the demolition had already been slated to take place as part of a modernization project in the nine block area—of which the homeownership project is only a small part.

The people in Denver have talked to the tenants in a variety of ways, both in groups and as individuals.

Since the units were slated to be rehabbed, the tenants were going to be leaving—moved out—temporarily, in any case. All of the tenants have been offered the opportunity to come back as owners or renters if they desire after the unit is rehabbed.

At this time, the tenants who are not going to be purchasing desire to do that for a variety of reasons, not the least of which is there is much better stock available in the Denver Housing Authority—primarily scattered site units—than in that particular project. So, the tenants have taken the opportunity to get into a better housing stock within the Denver——

Mr. **Boland**. Do you have figures on it? There must be a number of them that can't afford the unit. Those units will be sold.

What will happen to the tenants who are there?

Mr. **Beirne**. After the rehab, those tenants have all been offered the opportunity to come back to the unit after rehab as owners or renters.

Mr. **Boland**. As renters.

Mr. **Beirne**. Yes. But at this point none has indicated a desire to. There are three that are specifically indicating they want to come back as buyers. That is where the three——

Ms. **Koch**. That is where the three came from, yes. That is right.

Mr. **Beirne**. They don't have a definite answer from all the others yet.

Mr. **Boland**. You recall last year we raised a concern about the PHAs selling off the best units, those that are in the best shape. Is that happening?

Ms. **Koch**. No, most of these units, in the first place, need some modernization. There are only two sites where building conditions were good enough not to require rehab.

It ranges—the level of modernization. In some of the scattered site project some units are in good condition or seem to be, but they are expensive to operate from the PHA perspective.

So, it is not a matter of the best PHA stock.

RECAPTURE PROVISIONS

Mr. **Boland**. Does HUD have any restrictions on the resale of units to prevent tenants from making a windfall profit?

Ms. **Koch**. We have asked there be some recapture provision for at least five years and resale restrictions. Every housing authority has developed a plan for that.

Where there is likely to be a windfall profit or big gap between the sale price and market—for example, in Washington, DC, they have put permanent recapture provisions on the units, so that they can never go out from low income service. But we are working very closely on that. That is a particular concern.

Mr. **Boland**. What about the indication that some brand new public housing units are being sold?

Ms. **Koch**. I don't know of any situation that that is the case.

Mr. **Boland**. Is that so?

Mr. **Coughlin**. I don't know of any.

Mr. **Beirne**. I don't know. There are some turnkey, I think, former turnkey units that are offered.

Mr. **Boland**. This would be units that are really scattered, single units.

Ms. **Koch**. Some in Los Angeles.

Mr. **Green**. Are you talking about Turnkey III when you say that?

Mr. **Beirne**. Yes.

Mr. **Green**. Turnkey III.

Mr. **Beirne**. Yes. There are units that are relatively new to public housing but are older units themselves that were taken over by FHA as a result of foreclosures.

Mr. **Boland**. Was this question raised at the hearing?

Ms. **Koch**. No.

Mr. **Boland**. I don't know whether a particular location was identified, like Nashville, for instance.

Mr. **Beirne**. Not before, no.

Ms. **Koch**. It wasn't raised at all.

Mr. **Boland**. What about the one in Lowell?

Ms. **Koch**. That dropped out, yes.

Mr. **Boland**. That was selected as a demonstration project to be funded by HUD and they dropped out. What was the reason?

Ms. **Koch**. They changed the PHA director, and the new director told us flat out he was opposed to the concept and was unwilling to do it.

Mr. **Boland**. Have other PHA's dropped out of the program?

Ms. **Koch**. No, there was a proposal that never really solidified from the St. Louis tenant management group that has been in existence for some time, but the Housing Authority would not agree to it.

Mr. **Boland**. How many PHA's are in the demonstration?

Ms. **Koch**. There are 18. Of the original ones that we were still working with, there were two on the feasible-but-not-ready list. Wichita is one and now added; it is now feasible. We think L.A. County will come in. We are working out the problems with them.

So, there will be probably about 19.

HOMEOWNERSHIP DEMONSTRATION EVALUATION

Mr. **Boland**. An important element in any demonstration program, of course, is the evaluation. Has there been any evaluation?

Ms. **Koch**. We did a first stage evaluation in-house simply to see what is going on and get all the information we were able to. But we are putting together a package for contracting out and it is going through my office for clearance now—a proposal for a full-scale evaluation.

Mr. **Boland**. When will it be completed?

Ms. **Koch**. It will not be completed until the demonstration is complete, and it is a four-year demonstration. But we will start out advertising before the end of the year for a contractor to begin gathering data and to monitor as the demonstration proceeds.

Mr. **Boland**. When it is complete, even before that, will you send the Committee a copy of the statement of work and the study parameters for that evaluation?

Ms. **Koch**. Yes.

[The information follows:]

Homeownership Demonstration Evaluation

A Request for Proposal for the competitive solicitation of a contractor to conduct an evaluation of the Homeownership Demonstration is now under development. A copy of the Statement of Work and research questions will be provided for the Committee as soon as they are available.

MINORITY YOUTH TRAINING INITIATIVE

Mr. **Boland**. While we are on the subject of evaluations, and the role of PDR, will you submit for the record a summary of the Minority Youth Training Initiative evaluation completed last year?

[The information follows:]

Evaluation of the Minority Youth Training Initiative (MYTI)

The MYTI evaluation had two parts: monthly tracking of the progress of all 18 sites by telephone, and a set of case studies consisting of interviews with the project directors and the Private Industry Council staff at sites where Job Training Partnership Act funds were also used. The data that resulted from the monthly telephone calls were used to determine that MYTI worked well enough to be incorporated in the Comprehensive Improvement Assistance Program (CIAP). Tenant training became an eligible CIAP activity in January 1985.

The information from the case studies was used to prepare a guidebook for future CIAP-sponsored tenant training programs. The case studies are summarized as follows:

The evaluation showed that all 18 sites were successful in implementing their youth training programs, using various models that conformed to local need. It also showed that CIAP-sponsored training could work well in cooperation with Job Training Partnership Act-funded efforts. Finally, our success rate in graduating and placing MYTI trainees was higher than those cited in the literature for other youth training programs.

The guidebook has been submitted separately to the Committee and is entitled "Comprehensive Improvement Assistance Program Tenant Training Guidebook", dated June 1985.

OASIS DEMONSTRATION

Mr. **Boland**. What is the status of the Oasis evaluation?

Ms. **Koch**. We just began the Oasis demonstration in Houston. We don't have anything yet.

Mr. **Boland**. What about the Neighborhood Development Demonstration evaluation?

Ms. **Koch**. On that a contract has been awarded to Pratt Institute.

Mr. **Smith**. Yes.

Ms. **Koch**. The contract award was issued.

Mr. **Boland**. When will it be completed?

Mr. **Smith**. In May 1987.

Mr. **Boland**. Was that contract awarded competitively?

Mr. **Smith**. Yes.

Ms. **Koch**. Yes.

Mr. **Boland**. Was there some controversy over award of that contract?

Mr. **Smith**. I don't believe so, no.

STAFFING

Mr. **Boland**. There was not. Okay.

PDR's 1987 budget request is up by $2.7 million, and FTEs are down from 139 to 128.

Isn't there an inconsistency herein?

Ms. **Koch**. Yes, but I think the decrease has to do with the general decrease within the Department, Gramm-Rudman, with discussions with OMB, with the kind of decisions on the wisest use of resources.

Mr. **Boland**. Can you do the job that is handed to you with the staff that you have requested for 1987?

Ms. **Koch**. I will have to, Mr. Chairman.

Mr. **Boland**. Mr. Green.

HOMELESS STUDY

Mr. **Green**. Thank you, Mr. Chairman.

We have had a lot of problems in this Subcommittee dealing with the issue of the homeless, and PDR some time back did a study to quantify the number of homeless around the country.

Would that study, or might it be possible, building on that study, to produce data advising us locality by locality what the number of homeless is?

Ms. **Koch**. In the study of the localities we did, we have estimates on the localities included there. We are not planning—proposing—to do an up-date on that. Any way, what we have focused on is what we learned—not just the numbers, but the composition of the homeless within the cities—that they were made up of a high percentage of chronically mentally ill. We found a migrant population, for example, in Denver; and, in Boston, there was a chronically mentally ill segment.

We learned those things, and we work with the cities on a basis of technical assistance and advise and develop relationships on this, too. As a result of the mentally ill data, we worked with the Office of Housing on housing certificates for the mentally ill.

So, it is not just the numbers, it is what we have learned about the makeup of the population.

Mr. **Green**. My immediate concern is that since we started funding this in the Emergency Jobs Bill of March 1983 the funding formula has largely turned on unemployment.

I think following on your conclusions as to who the homeless are, unemployment would not necessarily tell you city-to-city how many homeless they have or what would be a sensible allocation of the Federal funds for the homeless.

What I am searching for is whether your evaluation gives this Subcommittee a better handle to try to devise a more effective formula to better match the needs of the different communities.

Ms. **Koch**. Well, it does and it doesn't, Mr. Green.

It identified numbers, but it is so complex within a city, because if you take New York City, a lot of it has to do with policies in the city concerning single room occupancy hotels and development policies within the city. So that you can't always develop a funding decision that will not be confounded by other things going on.

We can give you numbers we have on the cities.

Mr. **Green**. I am certainly not disagreeing with your evaluation of some things that have gone into causing the problem in New York City.

But nonetheless, the problem is there, as in many other cities around the country. And the question is how one equitably divides Federal funding, which I recognize the Administration has not requested for that purpose.

What I am trying to get is a handle on it.

Mr. **Beirne**. The types of survey data used for that study are not really the same types of data that we use for other kinds of formula work. It would be very difficult to use that same data—for example, you would not use it for formula work and do surveys of experts in a community as opposed to trying to do very exact type of either vacancy data work or American Housing Survey data work.

So, the type of work used for the homeless study would not be useful for formula work. In order to do that work you would need to do a completely different type of survey work.

Mr. **Green**. Does your American Housing Survey work give us a better handle?

Ms. **Koch**. No.

Mr. **Beirne**. No, it is pegged to housing units, so it wouldn't tell you who wasn't in them.

Mr. Green. So, the American Housing Survey would not tell you the number of homeless.

Ms. Koch. Correct.

Mr. Beirne. The Census does a limited amount of street survey work. You would need to do a vaster type of survey of that sort to really do that.

Ms. Koch. But the problem is that that would be prohibitively expensive, doing that kind of head count.

That is why we undertook this study.

AMOUNT OF SUBSTANDARD HOUSING

Mr. Green. Turning to another side of the same coin, perhaps, Congress has been funding roughly 100,000 incremental units of subsidized housing over the past several years, but without a real feel that that amount is meeting the nation's housing needs.

For example, the National Association of Home Builders estimated that in 1983, nine percent of all households were living in inadequate housing.

Would you characterize that number as being far off the mark based on your studies?

Ms. Koch. Nine percent? The number of very low-income renters in substandard housing units is dwindling; it dropped to 700,000 over the last few years.

The problem continues to be—from the data we have, it is one of affordability, not condition. But that data indicates that affordability is a growing problem.

Mr. Green. Where I have some trouble is the difficulty of distinguishing affordability and availability, since, of course, both supply and demand factors drive affordability.

Based on such things as usage and the like, our Housing Authority estimates there are 15 percent more people there in the New York City housing units than ought to be there.

Obviously, families are doubling up, often illegally. In a sense, that is an affordability problem in that probably one of those, the family that doubled up, couldn't afford a unit outside in the existing market.

On the other hand, what drives that in my district—for example, on the lower east side is some very old slum housing—what drives prices up is the very low vacancy rate, so housing that was once affordable is no longer affordable.

I just wonder how you deal with that.

Ms. Koch. As you know, what normally happens in a market is, when the vacancy rate is low the price goes up and production is stimulated. In almost every area you look at, if it looks like a tight market, that stimulates production and it evens out.

The real problem is not that the market isn't working, but that people of lower income can't keep pace with it, and that is why you have that very problem.

Mr. Green. I wouldn't suggest sending more vouchers into New York, because the Section 8 housing program has been a usable program.

On the other hand, it doesn't seem to have much to do with eliminating a chronic shortage.

Ms. **Koch**. But sometimes the question arises, should there be a production program, and can you target a production program successfully?

And the answer so far has been that it is a real problem to really target successfully.

Mr. **Green**. I understand the politics of it, and there is a problem with the section 17 program.

Ms. **Koch**. Sometimes you run into local policies. My office has undertaken a survey of 60 housing markets to see where are the tight markets and what production does to them.

Even though you have a low vacancy rate, it turns out that it is a vacancy rate that works. As soon as the growing demand occurs, production begins. But in some markets, it is not true. In the Boston market, for example, what we find there is a very restrictive zoning policy and development moratoria that are keeping that market tight.

Sometimes you are looking at very specific policies within a community, and a national program tailored to those needs will not help.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Boland**. I think Mr. Green makes a good point in this particular area.

I think you can't separate the affordability and availability question.

Well, thank you very much, Dr. Koch. Nice to have all of you.

Ms. **Koch**. You are welcome. It has been a pleasure.

Fair Housing and Equal Opportunity

Mr. **Boland**. We have a new team.

Bill Wynn is going to move to the center of the table here. We have to have a look at you. Put the first team in the front row here.

The Committee will take up the justification of the Fair Housing Assistance Program.

We are delighted to welcome Mr. William Wynn. You have been here before, haven't you, Mr. Wynn?

Mr. **Wynn**. Yes.

Mr. **Boland**. You look familiar. Good to see you.

You have a statement, I believe.

Mr. **Wynn**. Yes.

Mr. **Boland**. A nice short one.

Mr. **Wynn**. Yes, it is.

Mr. **Boland**. You know what they say every time they come: the amount of money we appropriate is directly related to the size of the statement.

That really isn't so, though.

Mr. **Wynn**. Okay, I won't make it long.

Mr. **Boland**. The shorter the more.

Summary of the Acting General Deputy Assistant Secretary's Statement

Mr. **Wynn**. Mr. Chairman and Members of the Committee, it is a pleasure to appear before you today to testify on the 1987 budget for Fair Housing and Equal Opportunity.

The budget we propose today reflects the Department's concern and commitment to the critical issues this nation faces in relation to fair housing.

Although the nation is faced with serious budget deficits, we feel that budgetary discipline must not impede our fight against housing discrimination.

Our 1987 budget again reflects a new initiative, the Fair Housing Initiatives Program.

We have long recognized the need to strengthen the enforcement provisions of our fair housing laws, and we continue to seek authorization for this program.

In order to fight the battle against housing discrimination more effectively, we need to solicit the help of all parties active in the fair housing arena.

The new Fair Housing Initiatives Program would provide the means necessary to assist fair housing enforcement, compliance, education and outreach activities. State and local fair housing agencies, civil rights organizations, private fair housing groups and others would be eligible for funding under this new program.

A $7 million appropriation in support of public and private organizations is a small price to pay to alleviate hardships imposed on those being denied equal opportunities in choosing a place to live.

Fair housing is a basic human right, and I solicit the support of this committee and Congress to join us in demonstrating its commitment to this right by enacting the Fair Housing Initiatives Program.

INCREASED FUNDING FOR FAIR HOUSING

Mr. Chairman, we are requesting an increase in our budget from $6.3 million in 1986 to $12 million in 1987.

This increase is related primarily to the proposed Fair Housing Initiatives Program.

Our 1987 budget request for this new program is $7 million. These funds would be used as part of an expanded national fair housing effort to complement the Department's existing enforcement and compliance program.

This program would build on our initial success in the Fair Housing Assistance Program (FHAP) for which we request a $5 million appropriation.

Together, these programs will begin a new era of cooperation between government and the private sector in the battle against housing discrimination.

STAFFING REQUIREMENTS

Our Administrative Expenses Budget proposes an increase of 20 FTEs of which only one is for a full-time permanent position.

Only the one new position is for implementation of the Fair Housing Initiatives Program.

The balance of the FTEs are to increase our focus on the Title VI area and to support the Department's major effort of desegregation of public housing.

In addition, emphasis will be placed on activities relating to Executive Orders 11063, 12259, and Affirmative Fair Housing Marketing Guidelines.

This concludes my prepared remarks, Mr. Chairman, and I would be happy to answer any questions you may have.

[The statement of William E. Wynn follows:]

STATEMENT OF HONORABLE WILLIAM E. WYNN
ACTING GENERAL DEPUTY ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY
BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
OF THE HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 1986

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# # #

STAFFING AND PROGRAM LEVELS

Mr. **Boland**. Thank you very much.

Let me ask you, with respect to the employment figures mentionied in your statement under the 1987 request, the total Fair Housing Program would almost double from $6.3 million to $12 million.

Yet, page O-1 indicates workyears will increase by only 20.2 FTEs. That is only 3.5 percent.

Mr. **Wynn**. Yes.

Mr. **Boland**. Based on the Fair Housing Program's track record, I think there is some serious doubt as to HUD's ability to manage these funding increases with the requested staff.

What is your judgment on that?

Mr. **Wynn**. I didn't quite understand your question.

Mr. **Boland**. Well, all you are getting is an increase of 20.2 FTEs, and you have your amount of money increasing from $6.3 million to $12 million.

How can you operate a program with just that 3.5 percent increase in staff when you have a—go ahead.

Mr. **Kliman**. If I may interject at this point.

Prior to there being any program money for FHAP, there was an FHEO.

The programs that we have and that which we propose—the Fair Housing Assistance Program and the Fair Housing Initiatives Program—are relatively recent additions and are basically run out of headquarters.

The bulk of the staff does not deal with administering those particular contract and grant programs. They deal with investigations, complaints, and other activities involved in the basic EO program.

PROGRAM MONITORING

Mr. **Boland**. Who monitors the program?

Mr. **Wynn**. The monitoring is done by our field office staff.

Most of the positions we request in headquarters would be just for monitoring paperwork and making policy decisions and in the Regions they monitor the programs.

Mr. **Boland**. Is it possible for 20 additional new FTEs to monitor a $7 million program?

Mr. **Wynn**. The FTEs we ask for, those that are primarily doing the title VI program, would deal with our public housing desegregation effort, that sort of thing.

The present staff would administer the new programs.

We are asking for one position for the Fair Housing Initiative Program and we would use our present staff to assist in operating this program.

Mr. **Boland**. I am looking at the 1987 request for FTEs, and it is 553, is that correct?

Ms. **Kliman**. Yes, sir.

Mr. **Wynn**. Yes.

Mr. **Boland**. It was 552 in 1986.

Ms. **Kliman**. That is FTP: full time permanent.

Mr. **Boland**. Yes.

Ms. **Kliman**. Only one additional full-time permanent position is requested, although we have additional FTEs requested.

Mr. **Boland**. Yes.

Ms. **Kliman**. Most of the FTEs are to add to the field staff for assistance in our public housing desegregation activity.

That will take some of the pressure off of the other staff out there to assist in a variety of other things.

Mr. **Wynn**. Yes.

Ms. **Kliman**. Basically, EO is the only area that doesn't get reduced. It gets increased.

FAIR HOUSING INITIATIVES PROGRAM

Mr. **Boland**. You indicated in the statement that you anticipate that the Fair Housing Initiatives Program will be authorized by the House and—it was in the last year's housing bill.

Mr. **Wynn**. Right.

Mr. **Boland**. What are the prospects for the authorization of the Fair Housing Initiatives Program?

How does it look in the Senate to you?

Mr. **Wynn**. Mr. Knapp?

Mr. **Knapp**. I think that is just very difficult to put a finger on at this point, particularly because it is dependent on coming out in some housing authorization bill, and that whole subject is cloudy.

Mr. **Boland**. The proposal last year was for $10 million, and that has been reduced to $7 million in the 1987 request, I take it because of budget restraints?

Mr. **Wynn**. Right.

LEVEL OF COMPLAINTS

Mr. **Boland**. There has been a lot of publicity with respect to fair housing and equal opportunity.

Does the performance live up to the PR?

Mr. **Knapp**. I am not sure what you are pointing to there.

As far as the Fair Housing Act is concerned, the overall complaint levels do not increase as a result of that, particularly.

There is roughly the same numbers involved. The increased complaint processing activity at the State and local level, their share of it increases, but the overall level remains constant, however.

Their performance also has improved.

We had, recently, an evaluation by a contractor of the Fair Housing Assistance Program, which has been in operation since the 1970s, directed toward evaluation of capacity balancing and technical assistance to the State and local agencies.

These agencies have resolved more cases because of FHAP. The time it has taken to resolve them has decreased. The quality of relief has been improved, but nevertheless the overall case load remains the same, and that is very much one of the reasons why we have proposed the Fair Housing Initiatives Program. This is particularly important because we think that assistance to the private organizations plays such a unique role in this program.

MANAGEMENT PROBLEMS

Mr. **Boland**. Oftentimes, performance is determined on dollars spent rather than dollars requested.

A total of $8.3 million was estimated to be obligated in the program in 1985, but only $4.7 million was actually obligated.

That is 43 percent below the mark.

Does this not suggest some management problems within the Fair Housing Assistance Program?

Mr. WYNN. No, sir.

Mr. BOLAND. Why not?

Mr. WYNN. One of the factors that we have is that, as Mr. Knapp pointed out before, our programs are distinct local programs and as such are complaint driven. It depends on the number of complaints you get in determining the amount to reimburse the State and local agencies.

The second factor is dealing with a number of agencies, cities and State agencies that would become substantially equivalent and certified by HUD as substantially equivalent.

We are trying to increase the number of agencies that we have as substantially equivalent centers to deal with that.

DIFFICULTY TO OBLIGATE FHAP FUNDS

Mr. BOLAND. In 1985, 115 State and local agencies and 82 community boards were funded. Those figures are actually a little higher than last year's estimates. But the amount of money obligated to those groups was very down: $4.7 million versus $8.3 million.

It is difficult to understand how you could have funded more agencies with so much less money.

What is the answer to that?

Mr. WYNN. Well, one of the things that has happened is that some of the agencies have a slow drawdown, not requesting funds on a timely basis.

That is why we have such a low number, smaller amount expended.

Mr. BOLAND. What about number of community boards? Why are they being dropped from 92 to 50?

Isn't that an important part of the administration of this program?

Mr. WYNN. Yes, that is our voluntary program.

Our plan in 1987 is to fund 50 additional CHRBs and also to continue funding some CHRBs that are already funded.

So, we drop down to where we want to find our 50 new agencies for Fiscal Year 1987.

Mr. KLIMAN. Mr. Chairman, they would be eligible for funding under the Fair Housing Initiative Program.

Mr. WYNN. They could qualify for the outreach and education money.

Mr. BOLAND. Will you submit for the record the details of how the seven million Fair Housing Initiatives funding will be distributed and who the recipients will be?

[The information follows:]

PROPOSED DISTRIBUTION OF FHIP FUNDS AND ELIGIBLE RECIPIENTS

The 1987 Budget proposes the following distribution of funds for the Fair Housing Initiatives Program:

Administrative Enforcement Initiative	$3,000,000

Education and Outreach Initiative	$1,000,000
Private Enforcement Initiative	3,000,000
Total	7,000,000

Because this is not an "entitlement" program, there are no specific recipients identified. Among those eligible to receive funds from FHIP are State and local equivalent agencies, private civil rights organizations, Community Housing Resource Boards, newly-established entities at the State and local level to coordinate fair housing strategies, and others. Also, eligible are public or nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices.

Mr. BOLAND. Mr. Green.

HOUSING INTEGRATION

Mr. GREEN. I gather that some statistical devices have been developed to measure the degree of housing integration.

There are census techniques for analyzing and developing statistics which would give you an index of housing integration or segregation.

Mr. WYNN. You mean how much integration is occurring across the country?

Mr. GREEN. Yes.

Mr. WYNN. We don't have that kind of data regarding integration in communities or segregation. That is something we have not done, that I know of.

Mr. KLIMAN. Mr. Green, possibly it would have been a better question to raise while PDR was here.

They have not developed an index of integration, but they have done studies which reflect instances of discrimination, and I don't have the numbers in my head, but they can tell you incidents of discrimination and unreported discrimination, and that is on the rise.

Mr. KNAPP. In addition there have been formulas developed by some researchers—and I don't know if they were internally determined by others—so-called segregation tables, that have been used; particularly as they apply to census population for housing authorities and more particularly they find a spread within the authority, say an overall population mix in the authority and how far some problems fall from that overall balance in one direction or another.

That kind of thing.

Mr. WYNN. I stated this last week. We noticed also NCDH has done studies on it. There seems to be an increase in the amount of racial harassment and violence that occurs when a minority moves into a white neighborhood, and the incidence of this seems to be on the increase.

That is one reason that I feel strongly that the Fair Housing Initiatives Program should be passed so we can begin to test those neighborhoods and see what is happening out there across the country.

Mr. GREEN. I am a supporter of the Administration's Fair Housing Initiatives Program, but I am really trying to see if there was any handle on how well we are doing.

It has been 18 years now since title VIII was adopted, I believe. I feel some sense of frustration about where we are, I guess, after those 18 years.

Mr. Wynn. I can't give you any data, but I know that across America, as you move around you do see more communities integrated now than ever, and, as always, you no longer see the signs posted in the newspapers and on the streets where it says "white only" or "black only," that sort of thing.

The communities are changing. I feel strongly that they would change a great deal more if we were able to get an effective educational program to let people know there is nothing wrong with having a non-white in their community and whatever.

Mr. Green. Thank you.

Mr. Knapp. I am not aware of any recent statistics on the effects of any specific educational programs and fair housing.

Mr. Green. Thank you, Mr. Chairman.

Mr. Boland. As a long-time budget officer and confidante and advisor to this Committee, Al Kliman deserves special praise—incidentally, he is really the 12th man on this Committee.

Mr. Kliman. There have been those that have suspected that.

CRITICISM OF PROGRAM MANAGEMENT

Mr. Boland. We like to see better performance in obligations. You have $8.3 million estimated to be obligated in the program and you only obligated, talking about 1985, $4.7, you know.

I suppose what you are saying is that, well, the rest will be carried over to the next fiscal year. But you get $12 million now.

Mr. Kliman. That is what has been happening, Mr. Chairman. It is a subject that we have been aware of, and we have been trying to make life as miserable as possible for the folks down at FHEO on this subject.

I have been writing a few nasty memos here and there and a few other things, and I have been promised results.

Mr. Boland. Well, then, I am sure if the promise of results is there you will get it, because they have up to——

Mr. Wynn. We will be able to obligate faster than in the past. I am confident of that.

Mr. Boland. Mr. Secretary and your staff, thank you very much for being with us.

Good luck. Have a nice week.

Mr. Wynn. Thank you, Mr. Chairman.

TUESDAY, APRIL 22, 1986.

OPENING REMARKS

Mr. **BOLAND**. The Committee will come to order. We are delighted to have with us today the Secretary of Housing and Urban Development. As you know, we started our hearings yesterday.

We will continue them today and hopefully complete them by noontime tomorrow. It is always a delight to have you here, Mr. Secretary, as it is a delight to have all of your staff.

I guess everybody has been here before. Is there anybody who has not been here before?

Everybody has. We have got the bleachers filled. Your appropriations request for 1987 is $3,733,364,000. That is a decrease of $11,924,616,000 from the current 1986 estimate.

I thought I would make just a short opening statement on this side and then you can go ahead with your statement.

The Committee is interested, of course, in where we are going on subsidized housing, and from those figures alone, that reduction of $11 billion from $15.6 billion to $3.7 billion, of course, indicates that subsidized housing does not enjoy much of a priority as a program within the Department.

As a matter of fact, your department proposed a 1986 and 1987 budget substantially higher in subsidized housing than OMB finally granted, in fact $7 billion.

We have been looking at budgets now for all the departments and agencies that come before this Committee, and the budget authority of this Committee runs almost $60 billion. Of all of the agencies that we have, the only two we have not completed hearings on are your department and NASA, which probably has substantially greater problems than you have.

Most of those agencies that have appeared before us have realized the sequestration formula of Gramm-Rudman and have 4.3 percent reductions in their 1986 budget. Now we arrive at a point in the hearings where we are faced with reductions in this particular activity of 70 or 80 percent.

That is a bit distressing to all of us who sit in this Committee. The reason we get from Administration officials, of course, is the Administration's position on reducing the deficit by reducing particular expenditures in various functions and activities of the agencies that appear before us.

I think it can be said without fear of contradiction that perhaps there is no other Agency in this appropriation bill, the HUD bill, with such disproportionate reductions, by far.

That does give us a problem. I suppose the question we are going to try to get answered in these hearings is what are we going to try to do about it? The Department, over the past couple of years, and I can understand the position of those who are leading this Department, and Administration are almost solely relying on housing vouchers.

COST OF REFUNDING SUBSIDIES

That seems a bit ironic because housing vouchers, I think, do have all the characteristics of leading us to a quasi-entitlement program such as food stamps.

One of the great problems in trying to reduce the deficit is, of course, that entitlement programs make it impossible for reductions to be made in those areas that are uncontrollable. I think you even made some references to the fact that the food stamps seem to be travelling along the line of a quasi-entitlement program, and even in your analysis in the justifications on the long-range cost of renewing the subsidized housing contracts, as reflected on page C-22, it clearly indicates that we are heading in that direction; renewal of the units will probably come to some 75—hold onto your hats—billion dollars in that particular time frame where we know certain contracts are expiring.

I suppose it ought to give us cause for some concern now, rather than when we hit that road in some five years—or whatever the time frame might be. So we can understand, as I say, on this side of the table the problems you have on that side of the table when the chief program, the one program that the Administration is interested in, is the increase in the voucher program and, of course, elimination of the subsidized housing program with no new construction, the 202 program being phased out, and deferrals of particular programs into fiscal year 1987.

All of these are areas in which we, on this side of the table, have a very deep concern. I think all of you sitting on that side of the table have that same concern.

RESCISSIONS AND DEFERRALS

As you know, the recommendations for rescissions are gone, and we have disapproved the deferral of some five programs. Probably in the final analysis that may not be the final story on deferrals, but at least it is at this side of the Capitol at the present time, and might well be on the other side of the Capitol. We don't know what is going to happen when that supplemental hits the desk down at the other end of the Avenue.

So on that basis, Mr. Secretary, we would be delighted to hear you. You may comment on what I have said and go ahead with your own statement. It is a fine statement and I think it justifies the position that you, the Administration, and a lot of those who run these programs may hold.

GENERAL STATEMENT OF THE SECRETARY

Secretary **PIERCE**. Thank you very much, Mr. Chairman.

Mr. Chairman, Members of the Committee, I am pleased to appear before you once again and to present HUD's fiscal year 1987 budget.

The budget we propose today reflects the present reality that the Federal deficit threatens healthy economic growth.

INCREASED HOUSING ASSISTANCE

I am proud that during my tenure at HUD we have maintained and increased support to people who need housing assistance. Under my direction, we have been helping a million more needy families with housing while our budget has been shrinking. In 1981, 3.2 million families were supported by HUD's housing subsidies. We will help and unprecedented 4.2 million families by the end of 1987.

DEFICIT REDUCTION

Both the Congress, through passage of the Gramm-Rudman-Hollings Act, and the President, through his budget, have made a firm commitment to deficit reduction. As you know, that law requires a zero deficit by 1991.

The budget we propose reflects the first step in meeting that requirement. It conforms to the decision made by the Congress to establish and meet legislatively mandated deficit reduction targets. I welcome this opportunity to present the way we would meet those targets, even as Congress is acting, or considering action, to meet them in its own fashion.

Neither our ultimate goal, a zero deficit, nor the intervening yearly deficit reduction targets can be met on a one-year-at-a-time basis. Outlays for 1991 are not determined solely in 1991 or even in 1990; they are determined largely in 1986 and 1987. Nowhere is this truer than in HUD programs, most of which are based on the one-time commitments to long-term expenditures.

For example, the 4.3 percent sequestrations mandated by Gramm-Rudman-Hollings for HUD programs in fiscal 1986 total $668 million in budget authority for the Department as a whole. The actual outlay savings in 1986 produced by that reduction is only $33 million. However, that same one-time reduction in budget authority will produce a $105 million outlay savings in 1987, and further savings of $231 million through 1991.

The fiscal 1987 budget, therefore, proposes to begin the process of achieving savings in out-year expenditures now—in 1986. To launch this process, our proposal would reduce budget authority to $5.5 billion in 1987 and would defer some funds appropriated in 1986 for use in 1987.

Net outlays for 1987 are estimated at $13.9 billion—$2.7 billion less than an unconstrained current services base. This decrease results not simply from the proposed program reductions, but also from such financing reforms as public housing loan forgiveness—which the President has now signed into law—along with a number of cost saving actions that are proposed in the subsidized housing program.

I realize that the Congress may propose different means, utilizing different priorities for achieving the goals which we all share—reducing the deficit, continuing economic growth, and providing help to the neediest in our society. However, I will outline our budget plan as submitted since I believe it offers the best road to achieving these goals.

AVAILABILITY OF HOUSING

To help shelter our most needy citizens, our 1987 budget proposes vouchers for 50,000 additional families each year from 1986 to 1991. For the last several years, we have advocated vouchers as the basic form of housing assistance.

Extensive research of the rental market and statistical measurements of today's housing situation support this approach. Substandard rental units are declining. Multi-family construction from 1983 through 1985 was at its highest level since 1973. The completion of unsubsidized apartments rose to 314,000 units in 1984—the highest level since 1974.

Our analysis indicates a very soft demand for newly constructed units. In 1984, the rate at which new apartments were absorbed by the market fell to the lowest level recorded since we began collecting such data in 1969. During 1984, only 67 percent of newly-constructed apartments were rented within three months of completion.

The rental vacancy rate continued to increase, reaching 6.8 percent in the third quarter of 1985, the highest rate in 18 years. It is important to note that this vacancy rate was highest not for luxury units, but for units renting at between $200 and $249 per month. In most markets, vacancies are adequate at rents equivalent to the fair market rents, and housing vouchers bring these units within the economic reach of needy families.

PROBLEM OF AFFORDABILITY

Affordability, not availability, remains the dominant housing problem for the poor. Vouchers are the most efficient and the most equitable means of addressing that need. They are more efficient because they provide many more families with housing, compared to newly-constructed units subsidized for the poor.

They are more equitable because they allow freedom of choice, do not isolate poor people from the rest of the community, and do not stigmatize families or neighborhoods. They also provide families with the flexibility of moving from one city to another without penalty. For these reasons, we are asking for 50,000 free-standing vouchers to help us meet the needs of poor families.

Vouchers are a better, more cost-effective alternative to new construction which allows the private housing market to determine whether new units are required. Consistent with this position, I am requesting only amendment funds for the Section 202 housing for the elderly and handicapped program. We are also proposing the termination this year of the HODAG program.

OPERATING SUBSIDIES

Some of HUD's programs warrant continuation at generally the current level of activity. For Public and Indian Housing, we are proposing virtual full funding for operating subsidies and utility costs. At the same time, we plan to ask PHAs to economize along with the Federal Government, by holding their administrative costs at current levels.

MODERNIZATION

For 1986 and 1987, only emergency repair funds are requested for Public and Indian Housing projects under the Comprehensive Improvement Assistance Program. Experience has shown that $225 million each year should be adequate to meet emergency needs.

Moreover, it is important to note that, collectively, PHAs still have about $2.7 billion in unexpended Comprehensive Improvement Assistance Program funds which remain available to them for modernization. This unexpended funding should provide sufficient resources for modernization work to continue until more traditional levels of funding are restored in 1988.

TARGETING FHA

Another major area I would like to discuss with you concerns the FHA program and our proposals for modifying it.

As you know, we are currently wrestling with the problem of meeting record-level FHA and GNMA demands. The Administration is asking Congress for authority to increase our commitment limits beyond the amounts originally proposed in our budget and we look forward to working with you to put these new levels in place as soon as possible.

At the same time, we must look at the broad spectrum of the program to determine which clientele FHA should serve and which borrowers could be served by the private sector. FHA was created to make mortgage money more accessible to the home buying public.

Today, much of that public is well-served by private mortgage insurers. The exceptions are those low and middle income families who still need our help. We want to target FHA to these families—especially the first-time home buyers—who are not being served adequately by the private market.

We have every indication that FHA is also used by affluent families which, unlike those with lower incomes, do not have a special need for federally-insured or guaranteed mortgages. With the national median income for all families at $26,433, we propose to target FHA to families with incomes of $40,000 or below.

To ensure that we are serving the first-time homebuyer, and otherwise improving access to homeownership, we propose that FHA no longer insure loans for non-occupant investors, nor for the purchase of second homes.

FHA STUDY

As this Committee knows, we are committed to a study which will evaluate how FHA complements, and competes with, the private mortgage industry. Based upon this evaluation, and after broad consultation with affected parties, we expect to place our findings before the Congress early in 1987.

TARGETING CDBG FUNDS

Our budget recognizes that, due to the economic recovery, there has been an increase in the resources available for community development at the local level. For instance, since January 1983, employment in our country has increased by more than 11 million. And, these new jobs have helped States and localities move from a net budget deficit of $1.9 billion in 1982 to a budget surplus of $56.9 billion in the third quarter of 1985.

It is essential that we direct scarce Federal resources to the most distressed communities, and we are working on a proposal to target a larger share of CDBG funds to them. Even with the proposed deferral of $500 million from 1986 block grant funds into 1987, a substantial amount—$2.5 billion—would be available in 1986, and $2.6 billion in 1987. Additionally, we propose continuing the very successful urban homesteading program at a $12 million level in 1987.

TERMINATION OF PROGRAMS

We also propose termination of the UDAG program. Although I have supported the program in prior years, budgetary concerns require sacrifice in this area. Termination of UDAG is consistent with the Administration's plan to eliminate all Federal financing and grant programs for local economic development—including the Appalachian Regional Commission, Economic Development Administration and the Small Business Administration. The Rental Rehabilitation Grant Program, the Section 312 Rehabilitation Loan Program and the Section 108 Guarantee Program are also proposed for termination.

ENTERPRISE ZONES

We will continue to support Enterprise Zones, which stimulate economic activity. This is consistent with the Administration's policy of offering incentives for businesses to flourish, rather than hand them direct subsidies. States and cities are demonstrating the highly positive impact Enterprise Zones have on depressed areas. This is but one example of the kind of public/private partnerships we must foster to address our urban and rural problems. HUD will remain at the forefront of this effort.

FAIR HOUSING INITIATIVES

Experience has shown that public/private partnerships have a positive impact on our fair housing efforts, as well. Our Fair Housing Initiatives Program would foster and encourage such partnerships, and I am proposing it to the Congress again this year.

Recently, we celebrated the 18th anniversary of the Nation's fair housing law. We have made many strides in those years, but unfortunately, housing discrimination still permeates our society.

Fair housing is a crucial issue, and I will not abandon my commitment to it. Because we believe the pursuit of budgetary discipline must not impede our fight against housing discrimination, we would increase the budget for Fair Housing and Equal Opportunity programs from $6.3 million in 1986 to $12 million in 1987.

This support of public and private organizations is a small price to pay to alleviate hardships imposed on those being denied equal opportunities in choosing a place to live. Fair housing is a basic human right, and I ask this Congress to join me in demonstrating its commitment to this right by supporting the Fair Housing Initiatives program.

We also will continue our efforts to strengthen enforcement of the Federal fair housing law by the enactment of suitable amendments to Title VIII of the Civil Rights Act of 1968.

SALARIES AND EXPENSES

Finally, I am requesting $585 million for Salaries and Expenses, which will provide the staff and related items required for supporting the program levels proposed in our budget.

Now, I, along with my staff, will be happy to answer any questions the Committee may have.

[The statement of Secretary Samuel R. Pierce, Jr. follows:]

STATEMENT OF

SECRETARY SAMUEL R. PIERCE, JR.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

OF THE

HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 22, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM PLEASED TO APPEAR BEFORE YOU ONCE AGAIN TO PRESENT HUD'S FISCAL YEAR 1987 BUDGET.

THE BUDGET WE PROPOSE TODAY REFLECTS THE PRESENT REALITY THAT THE FEDERAL DEFICIT THREATENS HEALTHY ECONOMIC GROWTH.

I AM PROUD THAT ... DURING MY TENURE AT HUD... WE HAVE MAINTAINED AND INCREASED SUPPORT TO PEOPLE WHO NEED HOUSING ASSISTANCE. UNDER MY DIRECTION, WE HAVE BEEN HELPING A MILLION MORE NEEDY FAMILIES WITH HOUSING WHILE OUR BUDGET HAS BEEN SHRINKING. IN 1981, 3.2 MILLION FAMILIES WERE SUPPORTED BY HUD'S HOUSING SUBSIDIES. WE WILL HELP AN UNPRECEDENTED 4.2 MILLION FAMILIES BY THE END OF 1987.

BOTH THE CONGRESS, THROUGH PASSAGE OF THE GRAMM-RUDMAN-HOLLINGS ACT, AND THE PRESIDENT, THROUGH HIS BUDGET, HAVE MADE A FIRM COMMITMENT TO DEFICIT REDUCTION. AS YOU KNOW, THAT LAW REQUIRES A ZERO DEFICIT BY 1991. THE BUDGET WE PROPOSE REFLECTS THE FIRST STEP IN MEETING THAT REQUIREMENT. IT CONFORMS TO THE DECISION MADE BY THE CONGRESS TO ESTABLISH AND MEET LEGISLATIVELY MANDATED DEFICIT REDUCTION TARGETS. I WELCOME THIS OPPORTUNITY TO PRESENT THE WAY WE WOULD MEET THOSE TARGETS, EVEN AS CONGRESS IS ACTING, OR CONSIDERING ACTION, TO MEET THEM IN ITS OWN FASHION.

NEITHER OUR ULTIMATE GOAL, A ZERO DEFICIT, NOR THE INTERVENING YEARLY DEFICIT REDUCTION TARGETS CAN BE MET ON A ONE-YEAR-AT-A-TIME BASIS. OUTLAYS FOR 1991 ARE NOT DETERMINED SOLELY IN 1991 OR EVEN IN 1990; THEY ARE DETERMINED LARGELY IN 1986 AND 1987. NOWHERE IS THIS TRUER THAN IN HUD PROGRAMS, MOST OF WHICH ARE BASED ON ONE-TIME COMMITMENTS TO LONG-TERM EXPENDITURES.

FOR EXAMPLE, THE 4.3 PERCENT SEQUESTRATIONS MANDATED BY GRAMM-RUDMAN-HOLLINGS FOR HUD PROGRAMS IN FISCAL 1986 TOTAL $668 MILLION IN BUDGET AUTHORITY FOR THE DEPARTMENT AS A WHOLE. THE ACTUAL OUTLAY SAVINGS IN 1986 PRODUCED BY THAT REDUCTION IS ONLY $33 MILLION. HOWEVER, THAT SAME ONE-TIME REDUCTION IN BUDGET AUTHORITY WILL PRODUCE A $105 MILLION OUTLAY SAVINGS IN 1987, AND FURTHER SAVINGS OF $231 MILLION THROUGH 1991.

THE FISCAL 1987 BUDGET, THEREFORE, PROPOSES TO BEGIN THE PROCESS OF ACHIEVING SAVINGS IN OUT-YEAR EXPEDITURES NOW -- IN 1986. TO LAUNCH THIS PROCESS, OUR PROPOSAL WOULD REDUCE BUDGET AUTHORITY TO $5.5 BILLION IN 1987 AND WOULD DEFER SOME FUNDS APPROPRIATED IN 1986 FOR USE IN 1987. NET OUTLAYS FOR 1987 ARE ESTIMATED AT $13.9 BILLION -- $2.7 BILLION LESS THAN AN UNCONSTRAINED CURRENT SERVICES BASE. THIS DECREASE RESULTS NOT SIMPLY FROM THE PROPOSED PROGRAM REDUCTIONS, BUT ALSO FROM SUCH FINANCING REFORMS AS PUBLIC HOUSING LOAN FORGIVENESS -- WHICH THE PRESIDENT HAS NOW SIGNED INTO LAW -- ALONG WITH A NUMBER OF COST SAVINGS ACTIONS THAT ARE PROPOSED IN THE SUBSIDIZED HOUSING PROGRAM.

I REALIZE THAT THE CONGRESS MAY PROPOSE DIFFERENT MEANS, UTILIZING DIFFERENT PRIORITIES FOR ACHIEVING THE GOALS WHICH WE ALL SHARE -- REDUCING THE DEFICIT, CONTINUING ECONOMIC GROWTH, AND PROVIDING HELP TO THE NEEDIEST IN OUR SOCIETY. HOWEVER, I WILL OUTLINE OUR BUDGET PLAN AS SUBMITTED SINCE I BELIEVE IT OFFERS THE BEST ROAD TO ACHIEVING THESE GOALS.

TO HELP SHELTER OUR MOST NEEDY CITIZENS, OUR 1987 BUDGET PROPOSES VOUCHERS FOR 50,000 ADDITIONAL FAMILIES EACH YEAR FROM 1986 TO 1991. FOR THE LAST SEVERAL YEARS, WE HAVE ADVOCATED VOUCHERS AS THE BASIC FORM OF HOUSING ASSISTANCE. EXTENSIVE RESEARCH OF THE RENTAL MARKET AND STATISTICAL MEASUREMENTS OF TODAY'S HOUSING SITUATION SUPPORT THIS APPROACH. SUBSTANDARD RENTAL UNITS ARE DECLINING. MULTI-FAMILY CONSTRUCTION FROM 1983 THROUGH 1985 WAS AT ITS HIGHEST LEVEL SINCE 1973. THE COMPLETION OF UNSUBSIDIZED APARTMENTS ROSE TO 314,000 UNITS IN 1984...THE HIGHEST LEVEL SINCE 1974.

OUR ANALYSIS INDICATES A VERY SOFT DEMAND FOR NEWLY CONSTRUCT UNITS. IN 1984, THE RATE AT WHICH NEW APARTMENTS WERE ABSORBED BY THE MARKET FELL TO THE LOWEST LEVEL RECORDED SINCE WE BEGAN COLLECTING SUCH DATA IN 1969. DURING 1984, ONLY 67 PERCENT OF NEWLY-CONSTRUCTED APARTMENTS WERE RENTED WITHIN THREE MONTHS OF COMPLETION.

THE RENTAL VACANCY RATE CONTINUED TO INCREASE, REACHING 6.8 PERCENT IN THE THIRD QUARTER OF 1985, THE HIGHEST RATE IN EIGHTEEN YEARS. IT IS IMPORTANT TO NOTE THAT THIS VACANCY RATE WAS HIGHEST NOT FOR LUXURY UNITS, BUT FOR UNITS RENTING AT BETWEEN $200 AND $249 PER MONTH. IN MOST MARKETS, VACANCIES ARE ADEQUATE AT RENTS EQUIVALENT TO THE FAIR MARKET RENTS, AND HOUSING VOUCHERS BRING THESE UNITS WITHIN THE ECONOMIC REACH OF NEEDY FAMILIES.

AFFORDABILITY, NOT AVAILABILITY, REMAINS THE DOMINANT HOUSING PROBLEM FOR THE POOR. VOUCHERS ARE THE MOST EFFICIENT AND THE MOST EQUITABLE MEANS OF ADDRESSING THAT NEED. THEY ARE MORE EFFICIENT BECAUSE THEY PROVIDE MANY MORE FAMILIES WITH HOUSING, COMPARED TO NEWLY-CONSTRUCTED UNITS SUBSIDIZED FOR THE POOR. THEY ARE MORE EQUITABLE BECAUSE THEY ALLOW FREEDOM OF CHOICE, DO NOT ISOLATE POOR PEOPLE FROM THE REST OF THE COMMUNITY, AND DO NOT STIGMATIZE FAMILIES OR NEIGHBORHOODS. THEY ALSO PROVIDE FAMILIES WITH THE FLEXIBILITY OF MOVING FROM ONE CITY TO ANOTHER WITHOUT PENALTY. FOR THESE REASONS, WE ARE ASKING FOR 50,000 FREE-STANDING VOUCHERS TO HELP US MEET THE NEEDS OF POOR FAMILIES.

VOUCHERS ARE A BETTER, MORE COST-EFFECTIVE ALTERNATIVE TO NEW CONSTRUCTION WHICH ALLOWS THE PRIVATE HOUSING MARKET TO DETERMINE WHETHER NEW UNITS ARE REQUIRED. CONSISTENT WITH THIS POSITION, I AM REQUESTING ONLY AMENDMENT FUNDS FOR THE SECTION 202 HOUSING FOR THE ELDERLY AND HANDICAPPED PROGRAM. WE ARE ALSO PROPOSING THE TERMINATION THIS YEAR OF THE HODAG PROGRAM.

SOME OF HUD'S PROGRAMS WARRANT CONTINUATION AT GENERALLY THE CURRENT LEVEL OF ACTIVITY. FOR PUBLIC AND INDIAN HOUSING, WE'RE PROPOSING VIRTUAL FULL FUNDING FOR OPERATING SUBSIDIES AND UTILITY COSTS. AT THE SAME TIME, WE PLAN TO ASK PHAs TO ECONOMIZE ALONG WITH THE FEDERAL GOVERNMENT, BY HOLDING THEIR ADMINISTRATIVE COSTS AT CURRENT LEVELS.

FOR 1986 AND 1987, ONLY EMERGENCY REPAIR FUNDS ARE REQUESTED FOR PUBLIC AND INDIAN HOUSING PROJECTS UNDER THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM. EXPERIENCE HAS SHOWN THAT $225 MILLION EACH YEAR SHOULD BE ADEQUATE TO MEET EMERGENCY NEEDS. MOREOVER, IT IS IMPORTANT TO NOTE THAT, COLLECTIVELY, PHAs STILL HAVE ABOUT $2.7 BILLION IN UNEXPENDED COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM FUNDS WHICH REMAIN AVAILABLE TO THEM FOR MODERNIZATION. THIS UNEXPENDED FUNDING SHOULD PROVIDE SUFFICIENT RESOURCES FOR MODERNIZATION WORK TO CONTINUE UNTIL MORE TRADITIONAL LEVELS OF FUNDING ARE RESTORED IN 1988.

ANOTHER MAJOR AREA I WOULD LIKE TO DISCUSS WITH YOU CONCERNS THE FHA PROGRAM AND OUR PROPOSALS FOR MODIFYING IT.

AS YOU KNOW, WE ARE CURRENTLY WRESTLING WITH THE PROBLEM OF MEETING RECORD-LEVEL FHA AND GNMA DEMANDS. THE ADMINISTRATION IS ASKING CONGRESS FOR AUTHORITY TO INCREASE OUR COMMITMENT LIMITS BEYOND THE AMOUNTS ORIGINALLY PROPOSED IN OUR BUDGET AND WE LOOK FORWARD TO WORKING WITH YOU TO PUT THESE NEW LEVELS IN PLACE AS SOON AS POSSIBLE.

AT THE SAME TIME, WE MUST LOOK AT THE BROAD SPECTRUM OF THE PROGRAM TO DETERMINE WHICH CLIENTELE FHA SHOULD SERVE AND WHICH BORROWERS COULD BE SERVED BY THE PRIVATE SECTOR. FHA WAS CREATED TO MAKE MORTGAGE MONEY MORE ACCESSIBLE TO THE HOME BUYING PUBLIC. TODAY, MUCH OF THAT PUBLIC IS WELL-SERVED BY PRIVATE MORTGAGE INSURERS. THE EXCEPTIONS ARE THOSE LOW AND MIDDLE INCOME FAMILIES WHICH STILL NEED OUR HELP. WE WANT TO TARGET FHA TO THESE FAMILIES...ESPECIALLY THE FIRST-TIME HOME BUYERS...WHO ARE NOT BEING SERVED ADEQUATELY BY THE PRIVATE MARKET.

WE HAVE EVERY INDICATION THAT FHA IS ALSO USED BY AFFLUENT FAMILIES WHICH...UNLIKE THOSE WITH LOWER INCOMES...DO NOT HAVE A SPECIAL NEED FOR FEDERALLY-INSURED OR GUARANTEED MORTGAGES. WITH THE NATIONAL MEDIAN INCOME FOR ALL FAMILIES AT $26,433, WE PROPOSE TO TARGET FHA TO FAMILIES WITH INCOMES OF $40,000 OR BELOW. TO ENSURE THAT WE ARE SERVING THE FIRST-TIME HOMEBUYER, AND OTHERWISE IMPROVING ACCESS TO HOMEOWNERSHIP, WE PROPOSE THAT FHA NO LONGER INSURE LOANS FOR NON-OCCUPANT INVESTORS, NOR FOR THE PURCHASE OF SECOND HOMES.

AS THIS COMMITTEE KNOWS, WE ARE COMMITTED TO A STUDY WHICH WILL EVALUATE HOW FHA COMPLEMENTS, OR COMPETES WITH, THE PRIVATE MORTGAGE INDUSTRY. BASED UPON THIS EVALUATION, AND AFTER BROAD CONSULTATION WITH AFFECTED PARTIES, WE EXPECT TO PLACE OUR FINDINGS BEFORE THE CONGRESS EARLY IN 1987.

OUR BUDGET RECOGNIZES THAT, DUE TO THE ECONOMIC RECOVERY, THERE HAS BEEN AN INCREASE IN THE RESOURCES AVAILABLE FOR COMMUNITY DEVELOPMENT AT THE LOCAL LEVEL. FOR INSTANCE, SINCE JANUARY 1983, EMPLOYMENT IN OUR COUNTRY HAS INCREASED BY MORE THAN 11 MILLION. AND, THESE NEW JOBS HAVE HELPED STATES AND LOCALITIES MOVE FROM A NET BUDGET DEFICIT OF $1.9 BILLION IN 1982 TO A BUDGET SURPLUS OF $56.9 BILLION IN THE THIRD QUARTER OF 1985.

IT IS ESSENTIAL THAT WE DIRECT SCARCE FEDERAL RESOURCES TO THE MOST DISTRESSED COMMUNITIES, AND WE ARE WORKING ON A PROPOSAL TO TARGET A LARGER SHARE OF CDBG FUNDS TO THEM. EVEN WITH THE PROPOSED DEFERRAL OF $500 MILLION FROM 1986 BLOCK GRANT FUNDS INTO 1987, A SUBSTANTIAL AMOUNT -- $2.5 BILLION -- WOULD BE AVAILABLE IN 1986, AND $2.6 BILLION IN 1987. ADDITIONALLY, WE PROPOSE CONTINUING THE VERY SUCCESSFUL URBAN HOMESTEADING PROGRAM AT A $12 MILLION LEVEL IN 1987.

WE ALSO PROPOSE TERMINATION OF THE UDAG PROGRAM. ALTHOUGH I HAVE SUPPORTED THE PROGRAM IN PRIOR YEARS, BUDGETARY CONCERNS REQUIRE SACRIFICE IN THIS AREA. TERMINATION OF UDAG IS CONSISTENT WITH THE ADMINISTRATION'S PLAN TO ELIMINATE ALL FEDERAL FINANCING AND GRANT PROGRAMS FOR LOCAL ECONOMIC DEVELOPMENT...INCLUDING THE APPALACHIAN REGIONAL COMMISSION, ECONOMIC DEVELOPMENT ADMINISTRATION AND THE SMALL BUSINESS ADMINISTRATION. THE RENTAL REHABILITATION GRANT PROGRAM, THE SECTION 312 REHABILITATION LOAN PROGRAM AND THE SECTION 108 GUARANTEE PROGRAM ARE ALSO PROPOSED FOR TERMINATION.

WE WILL CONTINUE TO SUPPORT ENTERPRISE ZONES, WHICH STIMULATE ECONOMIC ACTIVITY. THIS IS CONSISTENT WITH THE ADMINISTRATION'S POLICY OF OFFERING INCENTIVES FOR BUSINESSES TO FLOURISH, RATHER THAN HAND THEM DIRECT SUBSIDIES. STATES AND CITIES ARE DEMONSTRATING THE HIGHLY POSITIVE IMPACT ENTERPRISE ZONES HAVE ON DEPRESSED AREAS. THIS IS BUT ONE EXAMPLE OF THE KIND OF PUBLIC/PRIVATE PARTNERSHIPS WE MUST FOSTER TO ADDRESS OUR URBAN AND RURAL PROBLEMS. HUD WILL REMAIN AT THE FOREFRONT OF THIS EFFORT.

EXPERIENCE HAS SHOWN THAT PUBLIC/PRIVATE PARTNERSHIPS HAVE A POSITIVE IMPACT ON OUR FAIR HOUSING EFFORTS, AS WELL. OUR FAIR HOUSING INITIATIVES PROGRAM WOULD FOSTER AND ENCOURAGE SUCH PARTNERSHIPS, AND I AM PROPOSING IT TO THE CONGRESS AGAIN THIS YEAR.

RECENTLY, WE CELEBRATED THE 18TH ANNIVERSARY OF THE NATION'S FAIR HOUSING LAW. WE HAVE MADE MANY STRIDES IN THOSE YEARS, BUT UNFORTUNATELY, HOUSING DISCRIMINATION STILL PERMEATES OUR SOCIETY.

FAIR HOUSING IS A CRITICAL ISSUE, AND I WILL NOT ABANDON MY COMMITMENT TO IT. BECAUSE WE BELIEVE THE PURSUIT OF BUDGETARY DISCIPLINE MUST NOT IMPEDE OUR FIGHT AGAINST HOUSING DISCRIMINATION, WE WOULD INCREASE THE BUDGET FOR FAIR HOUSING AND EQUAL OPPORTUNITY PROGRAMS FROM $6.3 MILLION IN 1986 TO $12 MILLION IN 1987. THIS SUPPORT OF PUBLIC AND PRIVATE ORGANIZATIONS IS A SMALL PRICE TO PAY TO ALLEVIATE HARDSHIPS IMPOSED ON THOSE BEING DENIED EQUAL OPPORTUNITIES IN CHOOSING A PLACE TO LIVE. FAIR HOUSING IS A BASIC HUMAN RIGHT, AND I ASK THIS CONGRESS TO JOIN ME IN DEMONSTRATING ITS COMMITMENT TO THIS RIGHT BY SUPPORTING THE FAIR HOUSING INITIATIVES PROGRAM.

WE ALSO WILL CONTINUE OUR EFFORTS TO STRENGTHEN ENFORCEMENT OF THE FEDERAL FAIR HOUSING LAW BY THE ENACTMENT OF SUITABLE AMENDMENTS TO TITLE VIII OF THE CIVIL RIGHTS ACT OF 1968.

FINALLY, I AM REQUESTING $585 MILLION FOR SALARIES AND EXPENSES, WHICH WILL PROVIDE THE STAFF AND RELATED ITEMS REQUIRED FOR SUPPORTING THE PROGRAM LEVELS PROPOSED IN OUR BUDGET.

NOW I WILL BE HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE AND PROVIDE YOU WITH FURTHER DETAILS CONCERNING OUR FISCAL 1987 BUDGET PROPOSALS.

INCREASING FHA AND GNMA LIMITATIONS

Mr. **Boland**. Commitments for GNMA and FHA passed the House yesterday by voice vote for $400 billion for GNMA and $95 billion for FHA. The jurisdiction with reference to those limits is within this Committee but the Banking Committee called this Committee to indicate they were going to bring that bill up on suspension.

So we gave way to them, indicating the Committee would have no objection to that bill going on the suspension calendar, because I think it would increase the possibility of it getting by much quicker through that procedure, rather than looking for a supplemental.

Changes in FHA

So that bill is now over in the Senate. Have you had hearings before the Banking Committee on those proposed changes yet?

Secretary **Pierce**. No. You mean before the Senate?

Mr. **Boland**. The House.

Secretary **Pierce**. No.

Mr. **Boland**. How do you think you will be met with those suggestions before the Legislative Committee? These proposals have been made before.

Secretary **Pierce**. You mean our current proposals, not the ones we intend to give you in 1987.

Mr. **Boland**. Yes.

Secretary **Pierce**. Well, I tell you, Senator Garn has already said that he does not particularly like those proposals, so that is the way we were met over in the Senate. I imagine we will be met in a similar manner in the House.

Mr. **Boland**. Of course, there are a lot of people happy with those, I would think. The real estate operators must be thrilled with some of those recommendations.

Secretary **Pierce**. Not from what they tell me.

Mr. **Boland**. I almost think that Mr. Hovde, who was the Under Secretary of the Department at one time, probably wrote the recommendations. I think they were floated before this Committee at one time.

Of course, he is with the Federal Home Loan Bank Board and does a fine job and did while he was Under Secretary for the Department.

1987 BUDGET SUBMISSION TO OMB

Let's get into some of the requests that were made for fiscal year 1987 of OMB by the Department. In the submission of September 15 of last year, HUD requested $7 billion for the subsidized housing programs. That request included 10,000 units of Section 202 housing for the elderly, 2,000 Indian housing units, 58,000 free-standing voucher units, 30,000 rental rehab units, and 10,000 homeless units.

In addition, the Department asked for $150 million for the rental rehab programmatic costs and $75 million for a new construction program that could be called a derivative of the rental development approach or the HODAG program.

VOUCHERS AND RENTAL REHABILITATION

I take it that your request for 30,000 units of rental rehab units suggests that you believe, or the Department believes, that program, when a housing voucher is piggy-backed on it, is a viable and good approach to providing some additional housing units. Is that your opinion now?

Secretary PIERCE. We would rather have the two separated. We would rather have the rental rehab units separate and apart from the vouchers.

NEW DEVELOPMENT PROGRAM

Mr. BOLAND. You also requested the $75 million for a new kind of development program. What sort of program is that going to be and how different is it from the current HODAG program?

Secretary PIERCE. Well, actually, we had made this request, but we did not have the details worked out. What I had in mind was that we hoped to have a program that would be more targetted to areas of need than the HODAG program, one that would be less expensive than the HODAG, one in my mind that could go to the communities that really, really needed help and not be spread generally all over the country regardless of severe need.

That is what we had in mind, but we did not have the details of it worked out at that time.

AFFORDABILITY VS. AVAILABILITY

Mr. BOLAND. You have stressed on page 4, and this has been a theme that has been woven through the fabric of some of the hearings we have had in the past here, that affordability and not availability remains a dominant housing problem for the poor.

Secretary PIERCE. Yes. We believe that.

Mr. BOLAND. Well, both Mr. Green and I suggested yesterday that we think these two particular areas are linked; you can't have one without the other.

Secretary PIERCE. Well, in a technical sense that may be true. What we are talking about is that generally speaking throughout this nation, when it is taken as a whole, we are not in need of rental housing. There is no shortage of rental housing nationwide.

There has been a study made to that effect and that is what we believe. The Rand Corporation made such a study and since that study we have further indication by other studies and analyses that that conclusion is even more true today.

RENTAL HOUSING VACANCY RATES

Mr. BOLAND. Who developed the stats on the vacancy rate? Do you have a particular table that indicates what the vacancy rate is among some of the larger cities and some of the mid-size cities in the United States, with respect to housing?

Will you submit for the record an indication of where those statistics came from?

Secretary PIERCE. Yes, we will do that.

[The information follows:]

Annual Rental Vacancy Rates for the 25 Largest SMSA's: 1981-1985

Vacancy data are not currently available relating to mid-sized cities. However, vacancy rates for the 25 largest SMSA's are available from the Bureau of the Census and are presented on the table below.

	Rental Vacancy Rate*				
	1981	1982	1983	1984	1985
1. New York, NY..............	2.2	2.7	2.9	2.2	2.6
2. Los Angeles-Long Beach, CA	3.1	3.7	3.2	3.4	3.7
3. Chicago, IL...............	4.3	4.6	5.4	5.4	6.5
4. Philadelphia, PA-NJ.......	4.7	5.1	5.3	5.6	4.0
5. Detroit, MI...............	5.6	4.4	4.9	5.2	5.4
6. San Francisco-Oakland, CA.	4.9	3.9	4.1	4.7	3.1
7. Washington, DC-MD-VA......	3.7	3.6	3.1	3.4	3.3
8. Houston, TX...............	6.4	7.6	13.9	15.4	18.1
9. Nassau-Suffolk, NY........	3.2	2.2	0.8	1.7	2.8
10. Boston, MA................	6.6	6.5	5.0	4.9	3.8
11. St. Louis, MO-IL..........	3.3	4.3	3.7	4.7	5.2
12. Pittsburgh, PA............	4.5	5.2	7.9	7.1	7.7
13. Baltimore, MD.............	5.9	5.6	4.9	7.0	5.2
14. Dallas, TX................	5.4	4.7	9.0	7.7	13.9
15. Anaheim-Santa Ana-Garden Grove, CA..............	2.8	2.9	2.7	2.5	2.9
16. Minneapolis-St. Paul, MN..	3.3	4.2	4.4	2.6	3.0
17. Cleveland, OH.............	4.7	6.1	6.6	6.7	4.8
18. San Diego, CA.............	4.0	4.2	5.3	2.8	4.4
19. Newark, NJ................	3.4	2.1	1.7	3.3	5.0
20. Atlanta, GA...............	7.8	8.0	7.4	5.9	6.4
21. Miami, FL.................	6.5	9.5	9.3	8.2	9.2
22. Seattle-Everett, WA.......	6.5	6.5	4.3	4.1	4.7
23. Denver, CO................	4.5	4.0	5.9	8.3	7.2
24. San Bernardino-Riverside-Ontario, CA............	6.0	7.0	5.6	4.4	8.6
25. Phoenix, AZ...............	12.1	8.4	8.4	10.4	11.7

*Source: Housing Vacancy Survey, H-111, Bureau of the Census, estimates based on sample surveys.

LOW VACANCY LOCALITIES

Mr. **Boland**. Your statement on justifications point to a particular average. Averages oftentimes do not tell the real story on where vacancies are the highest, and where they are the most severe, where the problem for housing those who are in the very low income brackets is severe.

As I have indicated, your vacancy percentages are average, but there are a number of communities in the United States where the vacancies are extremely low. It is almost impossible to find housing units for each, though in the voucher—the voucher system is not going to work if there are not units that people can move into and utilize the chit.

Secretary **Pierce**. That is true. That is why I wanted to rehab program. This is why I wanted a small building program, to help that situation.

PUBLIC HOUSING PROGRAM

Mr. **Boland**. I think the rehab program will help us substantially. The problem I have, and I am sure this is shared by other Members of this Committee, is that we are not adding any incremental units to the housing stock in the United States. There is no new construction.

I suppose the response again will be moderate rehab will do it. That adds particular units but I don't see it that way. There is no recommendation for public housing. We recommended 10,000 last year.

We finally agreed to 5,000, and that was agreed to by the Administration. Finally the Administration approved the bill that we sent to it. This Committee had a back-up in a number of instances on the figures that were used to come to an agreement with both the Senate and also with the Administration, and upon that the White House signed the bill.

The bill was signed, but then we started to get all these rescissions and deferrals flocking up here within a relatively short period of time. The public housing was one of them.

No units, no new construction for public housing. I have been on this Committee for some years; when I first came here, this Committee had great difficulty with public housing. That goes back 32 years ago.

There was considerable opposition within this Committee. Nobody who is sitting here today except myself was here at that time, but we had great problems with public housing. I did not myself. I had some reservations about it, but over time I came to the belief that the only program that really satisfied the demands, and housed those who are in the low and poor income brackets, was public housing.

We have got about 1,300,000 units in the United States of public housing. It is not a mess.

It is a good program. It works well when it is run well, and I think history over the past few years indicated precisely that when it is run well, when the units are built well, and when you don't endanger them with a dense population or with children that have never lived in public housing before, it is a program that works. It really is the only program that is targeted to the very poor, the only program that takes care of some of the large poor families with incomes that are practically nil, or in the very low income brackets.

The program really houses, I think you have indicated somewhere in the justification, between three and four million people. So the program is working. It works if we give it a kind of support that this Committee has given over the years, and the Department has given up until this year.

What about that?

Secretary PIERCE. Well, Mr. Chairman, on the other side, our current thinking is we have this problem with the deficit and we have to look at everything we do in light of that. We are trying to reduce our programs to a minimum in light of our problem with the deficit.

If we had the money, if we could do it I would agree it would be a good thing to do, but under the circumstances, I don't think that we can really do it and I think there are other ways of getting the poor and needy housed than going the public housing route.

IMPACT OF GRAMM-RUDMAN REDUCTIONS

Mr. BOLAND. We have had, as I have indicated earlier, no problem with the 4.3 percent reductions that have been made under the Gramm-Rudman bill for the 1986 budget. We would not have a problem with that with this agency either.

We recognize the fact there is a target that has to be met. We have to meet $144 billion deficit target in 1987, and we had to meet the target of about $181 billion in 1986. But the problem that I have, and I am sure all of the Members of this Committee have, is the substantial reduction in the subsidized housing program of some 70 percent.

Let me repeat again, no agency that has come before this Committee has recommended that kind of a reduction. Now, that gives us great concern. As I recall the debate on Gramm-Rudman—I didn't vote for it—but as I recall the debate on it, it was predicated on quality, people cuts across-the-board, and not drastic cuts in some particular agencies as compared to others.

But I can understand what the agency is faced with and we are going to be faced constantly with the deficit. We have particular targets and the only way you can meet it is cut particular programs.

It would seem to me that there ought to be a better way of meeting the problems than the Department has suggested. I would hope that over the next month or so our staffs can work together to determine whether or not we can come to some agreement in what the final targets will be for the Agency's programs.

RESCISSIONS AND DEFERRALS

This Subcommittee, the full Committee on Appropriations, and the House will dictate in the supplemental bill that we are not happy with the recommendations for rescissions, or with recommendations for deferrals.

We don't control the deferrals except if we agree to them, and nobody is going to agree with the deferrals on this side; I am sure you are not going to get that kind of agreement on the Senate side either.

But we do think there is room for an agreement here. Perhaps over the next few weeks our staffs can get together to determine precisely where we can make the particular cuts that are fair and not burdensome to the programs that have been in existence and proven themselves as assisting those in the very low income areas, and those communities that face the problems in revitalizing their economic health.

Mr. Green.

LOW VACANCY RATES

Mr. **Green**. Thank you, Mr. Chairman.

As I look on the list you have supplied of vacancy rates in selected metropolitan areas around the country, it seems that you are certainly right that by average there is an ample supply of housing and I think you are certainly also right that for over a decade the academic economists have been telling us that affordability and not availability is the major problem. That goes back, I think, to a study in New York City by the New York City Rent Institute in the early seventies which indicated in the low vacancy conditions of New York our basic problem was we had just over one million households who could not afford to pay what it cost to keep up the housing stock.

As I look down the list, there seem to be a fair number of metropolitan areas with vacancy rates significantly below the five percent I think most of us use as a rule of thumb of some flexibility in the housing market, starting with Anaheim, 2.9 percent, Boston, 3.8 percent, Los Angeles/Long Beach, 3.7 percent, New York City, 2.6 percent, Philadelphia, 4 percent, San Francisco/Oakland, 3.1 percent, Washington, D.C., 3.3 percent.

The low vacancy is not isolated. I know it is not your fault you weren't able to target the HODAG program, and I know you tried and got shot down by the legislative committees, but wouldn't that be a sensible way to go to deal with these kinds of situations?

TARGETING DEVELOPMENT PROGRAMS

Secretary **Pierce**. We are not happy with the HODAG program because we think it is too expensive and it is not targeted properly. We think it is a waste of money. Maybe we could work out a program to address these problems, but HODAG is not the answer.

Mr. **Green**. I am willing to accept that, too, that maybe HODAG isn't the answer, and the cost per unit is just too high, particularly for low income units. I am wondering if we couldn't find some sort of program and give you the authority to target it in order to be able to meet these targets.

Secretary **Pierce**. We will certainly consider it. Given the amount of money we have, I don't know whether we can get very far with it.

Mr. **Boland**. Do I take it, if the HODAG program was targeted properly it would be one that would be acceptable to the Department?

Secretary **Pierce**. I always have had in mind having a small building program that would hit areas where there was a great deal of need. I have had that in mind.

The HODAG program didn't do it. It just does not target properly and it is too expensive. You would have to work out some other kind of program, but that is what was in my mind. Now, we have the additional problem of money and trying to keep our budget down to reduce the deficit. I don't know what we can do anyway, because we have a budget problem.

Mr. **Green**. We are going to have the same problem because we have a ceiling under Section 302(b) and we will have to live within that, but assuming we can stretch within that to try to do something along these lines I would hope that our staff and your staff could work together and see if we couldn't come up with something along those lines to meet these situations.

Obviously, it is going to have to fit within our budget limitations. Let me turn to another area.

IMPACT OF TAX LEGISLATION ON HUD PROGRAMS

At the same time we are getting the squeeze in terms of the HUD programs, we are also, at least according to what we are hearing from some quarters, getting a significant squeeze in terms of the pending tax legislation. You have had former experience at Treasury as well as your current role.

Would you care to comment on how you and your Department see the pending tax legislation as affecting housing?

Secretary **Pierce**. Well, at this point, it is hard to comment on that because there are so many changes going on, especially in the Senate. I don't know what is going to happen in conference if the Senate does pass legislation; but, naturally the housing industry depends in large measure on tax incentives to build low cost housing. You have to have tax incentives to encourage such construction, and I have made that very clear to Jim Baker and others.

So that is my feeling about it.

RESTRICTIONS ON TAX-EXEMPT FINANCING

Mr. **Green**. There has been some suggestion that both the tightened restrictions on use of tax exempt financing for low and moderate income housing and also other changes along the depreciation periods, will significantly increase the rents that would have to be charged in new rental housing.

Secretary **Pierce**. Yes, I know that, too.

Mr. **Green**. Do you agree with that?

Secretary **Pierce**. That is true. It will increase rents.

IMPACT OF TARGETING FHA TO HIGH RISK ACTIVITIES

Mr. **Green**. Turning to your FHA ideas, I tend to agree with you that if we are going to have a rational Federal budget, we have got to have some sort of controls on federally guaranteed credit, as well as on direct Federal loans and direct Federal outlays.

On the other hand, given the experience FHA has had in the past when it has tried to run programs that were confined to high risk kinds of mortgages, the targeted urban renewal areas and the like, wouldn't the effect of your program simply be to leave the FHA with the highest risk kinds of cases and wouldn't that take the chance of leaving the basic FHA programs subject to the same difficulties that the more special programs, the higher risk programs have run into in the past?

Secretary **Pierce**. There is that possibility. What we are doing now is studying all this. I said we hope to get back to Congress on this by early 1987, but I don't want to try to jump the gun on it and say I know the answers to all these problems. We are looking at them and there is a problem of increased risk making it more difficult for FHA to be profitable.

TENANT ELIGIBILITY QUALITY CONTROL SYSTEM

Mr. **Green**. Finally, the IG's report for the period April 1, 1985 through September 30, 1985, indicates a variety of studies and activities that the Department is undertaking and particularly I am interested in the study on the feasibilities of implementing a tenant eligibility quality control system.

Where does that stand? What are you doing about that at this point?

Secretary **Pierce**. Let me ask one of the people who is working on that. Silvio, can you answer that?

Mr. **DeBartolomeis**. We are working on some updated guidelines. We recently sent new guidelines out to the field that more clearly delineate rent increases but also will give additional guidance in regard to tenant income verification and we hope that will go a long way towards streamlining the process at the local level.

Mr. **Green**. You feel you are reducing your vulnerability to losses?

Mr. **DeBartolomeis**. We are working hand-in-hand with the Inspector General; where he has identified issues or areas that are particularly vulnerable, we work to try and reduce opportunities for fraud. I think our new guidelines should be published very soon, and you will see less susceptibility for fraud in our programs.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Boland**. Mrs. Boggs.

OVERALL EFFECT OF REDUCTIONS ON CITIES

Mrs. **Boggs**. Thank you, Mr. Chairman.

Mr. Secretary, nice to see you. It has been said that fiscal year 1986 and fiscal year 1987 will be watershed years for our nation's cities. With the termination and dramatic reduction of so many programs of assistance to urban areas—revenue sharing, mass transit, UDAG, housing programs of all kinds, how can cities realistically absorb major cutbacks in Community Development Block Grants while also presumably using CDBG to make up for loss of these other programs? There are a whole host of cutbacks that would impact on cities outside of the HUD cutbacks such as the planned cutbacks in disaster relief to States and localities.

In formulating HUD's budget did you consider the overall impact on cities when combined with cuts at HUD and elsewhere?

Secretary PIERCE. Yes, we did consider that and we also considered this fact in connection with it, that since 1981 cities and states on the whole have been doing much better as far as their income is concerned and there are a number of cities and states now that have surpluses that did not have them at that time. We feel, in light of our problem with the deficit, that the State and local governments should take over some of these things and help us out while we are trying to win this deficit fight.

Mrs. BOGGS. If a city does not have a surplus, what happens to a city in that situation?

Secretary PIERCE. It is very hard on that city. The city has a very difficult time, that is true.

Mrs. BOGGS. If all of the Administration's housing budget proposals were accepted meaning the conversion to the use of all vouchers for assisted housing, the termination of Section 202 and Section 8, the drastic reduction of comprehensive modernization funds for public housing, the termination of rental rehabilitation programs, the section 312 rehabilitation loan program and the UDAG and if the tax reform provisions, as Mr. Green suggested, eliminating the tax exemptions from various development bonds and removing other incentives to housing construction were adopted, what would be your vision of the future of affordable rental housing for low and moderate income Americans?

Secretary PIERCE. Well, that is a lot of speculation. That is a lot of "ifs." I doubt if all those "ifs" would come true. I hope not.

But that would be an awful lot of "ifs." I really believe that as we become more prosperous, as people get more jobs, as the private sector can see that there is profitability in building homes, that there is need for homes, they will be built by the private sector and people will be able to rent them or buy them.

That is really what I see a lot of. If our economy continues to grow, I see less and less poverty and see less for governments to do in taking care of people. The big thing is to keep our economy going.

We won't be able to keep it going if we lose the deficit battle.

SECTION 202 PROGRAM

Mrs. BOGGS. Mr. Secretary, I know that you are requesting for 202 only amendment funds. In the same floor speech that the ranking Member of the legislative committee, Mr. Wylie, made to the Congress supporting the FHA and GNMA limit proposals, he assured me, because I had preceded him on the floor with a discussion of 202 housing, that 202 is alive and well in the legislative committee. Do you have any comments about that?

Secretary PIERCE. No, I don't. As you can see, we are asking Section 202 be phased out. Again, it is all connected with this fight to win the battle with the deficit, so we have requested it be phased out.

That is all I can say about it. I mean, it is a good program. Don't misunderstand me. I am not saying the program is a bad one or anything like that.

It is just the reason we are trying to phase it out is for economic reasons, budgetary reasons, not because the program has proved inadequate. It is a good program.

CHILD CARE STUDY

Mrs. BOGGS. Mr. Secretary, I am asking this question more as a member of the Select Committee on Children, Youth and Families than as a member of this Committee. I chair the Task Force on Crisis Intervention which has held hearings all over the country and one of the most pressing needs that emerges from every area of this country is the need for adequate childcare and for the training of childcare personnel. I am very disappointed the study on child care services available to public housing tenants is now a full year overdue.

It seems surprising a study such as this should take so long. Is it going to be available shortly?

Secretary PIERCE. Let me ask the people who are working on it. Dr. June Koch will speak to that.

Ms. KOCH. I am disappointed, too. I share your dismay. What happened in putting together the study is we were held up with the survey forms for over four months at OMB. That delayed us about four or five months.

The report came in then on schedule in November of 1985 and it was totally inadequate. It did not give us the information we needed.

We have worked very closely now with the contractor to revise it. What I wanted was a good report that was going to be useful. The final new draft came in this month.

We are reviewing it now. It will go through clearance and I hope to have it up here soon.

FAIR HOUSING PROPOSALS

Mrs. BOGGS. We will embrace it when it arrives. Thank you very much for your explanation.

I share, Mr. Secretary, your feelings, of course, about the fair housing proposals and am very pleased that you continue to push them so strongly. There have been concerns raised that the guidelines are not very clear.

Will there be some published guidelines that can alleviate the fear of several people and organizations in the real estate industry?

Secretary PIERCE. Are you talking about for testing?

Mrs. BOGGS. Right.

Secretary PIERCE. We have been working with the National Association for Realtors on this and hopefully we will work out something that will be satisfactory to them and to other people in the housing industry and still maintain our position of having a strong testing program.

Mrs. BOGGS. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Coughlin.

AFFORDABILITY OF HOUSING FOR ELDERLY AND DISABLED

Mr. Coughlin. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. We are glad to have you here.

In your statement you indicated that affordability not availability remains the dominant problem for the poor. Was that statement referring to low income housing alone or was it to include elderly and disabled persons, as well?

Secretary Pierce. It includes elderly and disabled, too. Where we supply housing to the needy, you will find that about 40 percent or more takes care of the elderly, so it applies to both.

Mr. Coughlin. And will elderly and disabled persons be included in your housing voucher program?

Secretary Pierce. Oh, yes, yes.

Mr. Coughlin. I share the concern that Mrs. Boggs had in terms of the 202 program. It has certainly been one of our best programs and in portions of my area the vacancy rate is about 2.5 percent. I am sure that without the 202 program we will be defaulting on our obligation to senior citizens and the handicapped.

Do you have any feeling about that?

Secretary Pierce. As I said——

Mr. Coughlin. Will it be replaced by the voucher program adequately?

Secretary Pierce. As I said before, I really think the elderly will be taken care of. We are working on programs that will help the handicapped.

We are working on programs with builders to try to get builders to take care of the handicapped and make it to their advantage to do so.

We will continue to work on this. We think in other ways we will be able to help the elderly and the handicapped without the 202 program.

Mr. Coughlin. I keep thinking "if it ain't broke, don't fix it." It has been such a good program.

Secretary Pierce. I can't knock the program. It is a good program, but it is an expensive program.

But, as I said, we do have our ultimate goal which is to win our battle with the deficit.

RESPONSIBILITY OF PHA'S UNDER VOUCHERS

Mr. Coughlin. HUD is providing to add 50,000 new voucher programs every year from 1987 to 1991. Do housing authorities have the same obligation in this housing program as they do under Section 8?

Secretary Pierce. Yes.

PROJECT SELF-SUFFICIENCY DEMONSTRATION

Mr. Coughlin. I am not sure whether this is what Mrs. Boggs was asking, but in fiscal year 1985 a new concept called Project Self-sufficiency was instituted on a trial basis.

Secretary Pierce. That is not what she was asking about, but I know the program.

Mr. **Coughlin**. This program provided not only housing assistance, but also job training and child care for single parent households. One area of my district is Lansdale Burough which is included in the demonstration. What is HUD's perception of this program?

Secretary **Pierce**. Let me have Dr. Koch speak on that. She has been working on that. Dr. Koch?

Ms. **Koch**. We did, as you probably know, two rounds of the program, 1984 and 1985, 5,000 certificates in each round. The first round is well underway with close to 4,000 people still in the program, some people coming on line because they stagger it, 1,000 being placed in training and a fairly low drop-out rate.

It is going well with a good package of services. The second round is still in the process of selecting participants and putting all the pieces together.

The Montgomery County site, as I remember, is a small program, about 30 participants. The one difficulty I know they had in your program is bringing enough landlords into the program.

Nine participants dropped out because of that, but several have been placed in jobs, 19 in the first round are still in the program.

In the second round, they are now selecting the participants. So it is going well and we are working closely with them.

Mr. **Coughlin**. Overall, what is your feeling about the program?

Ms. **Koch**. I think it is working very successfully.

Mr. **Coughlin**. Are they using vouchers or Section 8 certificates?

Ms. **Koch**. Section 8 certificates.

SUCCESS OF THE UDAG PROGRAM

Mr. **Coughlin**. Mr. Secretary, just let me say I realize that what we have before us is not what your budget submission was. This became evident during questioning yesterday in the CDBG and UDAG areas. I might say I was not initially a strong supporter of the UDAG program when it was first proposed.

In fact, I was one of the ones who was very doubtful about that, but it has been a program that has worked and worked well, particularly, in leveraging private funds and completing public/private partnerships.

The Senate seems to be willing to continue funding some of these programs and I hope this Subcommittee will, too.

Thank you, Mr. Chairman.

Mr. **Boland**. Marty?

INDIAN HOUSING RECAPTURES

Mr. **Sabo**. Thank you, Mr. Chairman.

Mr. Secretary, welcome. I understand HUD is proposing to recapture or cancel 2,000 Indian housing units. Is that accurate?

Secretary **Pierce**. Let me have the Indian housing people answer that.

Mr. **Baugh**. No, sir. That is not an accurate statement. Let me explain to you exactly what has happened.

In March of 1985, we put out a recapture policy and what the recapture policy said was, that within one year from the reservation, there should be a development plan. Once the development plan was approved, a year later those units should go to construction.

What has happened is there are probably about 1,900 units that would fall into that category of possible recaptures. Thirteen hundred of them are still ongoing because we are still working with the housing authorities to try to get them to meet the deadline.

There are about 600 units at this particular time that it appears that there is no viable way they are going to move and that is the number that is scheduled for the recapture.

Mr. SABO. If they are recaptured, can they be reserved for other Indians, other tribes?

Mr. BAUGH. No, sir.

Mr. SABO. Why not?

Mr. BAUGH. We do not have a re-use policy. The law is very clear, all recaptures are to be rescinded.

STATUS OF HODAG PROJECTS

Mr. SABO. What is the status of HODAG projects which are currently pending before the Department?

Secretary PIERCE. The status of HODAG projects that are pending?

Mr. DeBartolomeis has asked to answer that.

Mr. DEBARTOLOMEIS. Yes, sir. We are moving very quickly to get those HODAG projects under construction. The latest indication I have received is that they are proceeding very quickly.

We have a number of them already in the ground. For an additional number, the grant agreements are currently being processed. I am very pleased with the progress we have made in the HODAG program.

I am not currently aware of any that have been completed as of yet, but we are working quickly.

Mr. SABO. You still have money available for grants, do you not?

REUSE OF HODAG RECAPTURES

Mr. DEBARTOLOMEIS. We have some funds that have been recaptured and we are currently discussing whether we would fund pipeline projects not funded in the earlier rounds.

Mr. SABO. When would those awards be made?

Mr. DEBARTOLOMEIS. I would have to get back with you with specific data.

Mr. SABO. Would you?

Mr. DEBARTOLOMEIS. Yes. I will supply something for the record.

[The information follows:]

ANTICIPATED DATE OF HODAG AWARDS

From a total of $2 million of available recaptured authority, $1.9 million was utilized through May 31, 1986. The remaining authority from recaptures, available carryover authority, and appropriated amounts will be utilized in the next round on July 21, 1986. The invitation for applications was sent to the Federal Register on May 29, 1986 for publication. The Department then will receive applications and begin the review process which will take between 2 and 3 months. We, therefore, anticipate announcing the awards during September.

LITTLE EARTH INDIAN HOUSING PROJECT

Mr. **Sabo**. I have a rather long question on a rather complicated problem that we have which is local. That is the Little Earth Housing Project.

Secretary **Pierce**. Give us the problem if you want to, and we will answer it, put it in the record for you. Is that all right, since it is a local problem? Chances are we would have to go back and look into it unless one of these fellows happens to know it off the top of his head.

I doubt it. Why don't you try. Go ahead. See what we can do.

Mr. **Sabo**. Part of the issue relates to a court case that is currently pending.

Secretary **Pierce**. We have our lawyer here. Maybe he will know the answer. If not, we will put it in the record for you.

Mr. **Boland**. If he does not know it, you will get an answer anyway.

Secretary **Pierce**. That is a good lawyer.

Mr. **Sabo**. Just as background, this is a project that has had trouble for a long, long time. The receiver has been appointed.

The receiver was appointed that HUD wanted with an agreement that they should do rehab.

Secretary **Pierce**. Where is it located?

Mr. **Sabo**. Minneapolis. It is called Little Earth Indian Housing Project. It is the only Indian-owned housing project in the country and could be unique.

Secretary **Pierce**. Our lawyer knows about that.

Mr. **Sabo**. It is one of those things I think, as long as the lawyers keep hold of it on all sides, it will remain a problem. The only way it is ever going to be solved is to send the attorneys off to the side room and get some policy folks involved.

Mr. **Knapp**. You have understated it, if anything, Mr. Sabo. It has been a long-time problem.

Mr. **Sabo**. I am aware of that.

COURT ORDERED PAYMENT OF REPAIRS

Mr. **Knapp**. We agreed to the identity of the receiver. I think that one of the current problems is that the receiver has embarked on effectively a reconstruction program that we think went well beyond the kind of repairs——

Mr. **Sabo**. The district court agreed with the receiver?

Mr. **Knapp**. The district court agreed with the receiver and ordered the Department to pay for the reconstruction out of the general insurance fund. We believe the court went beyond its authority. That particular order is on appeal and it has been argued.

Mr. **Sabo**. When did you expect a decision on that?

Mr. **Knapp**. I don't know. It has been argued and how long it takes a court of appeal to issue a decision after it is argued is one of those things I just don't know.

FORECLOSURE PENDING DISCRIMINATION SUIT

Mr. **Sabo**. If the court rules in your favor, how soon will you foreclose?

Mr. **Knapp**. That, I believe, is being held in abeyance for yet another action. We received summary judgment on our motion to foreclose, but I believe that the residents filed a discrimination case against us——

Mr. **Sabo**. That is right.

Mr. **Knapp** [continuing]. Claiming we did not permit the kind of work out proposal, as I understand it, that we would have to. We objected to some features of the claim because they were Indians. The judge to whom I think both cases have been referred has stayed the foreclosure sale until there is a resolution in the discrimination case. We have been trying to get a trial scheduled in the discrimination case before the same judge without very much success.

So the foreclosure seems to be unrelated to the repair claim.

NEED FOR FINAL SOLUTION

Mr. **Sabo**. Here is my concern, I guess. Two-thirds of the project has been rehabed at this point. I think everyone agrees the receiver has been doing a good job in running the project in terms of all management problems.

Mr. **Knapp**. I don't have any basis to dispute that.

Mr. **Sabo**. The problem is lots of money has been spent on rehabing two-thirds of it. A third of the units I think are uninhabited. Nobody can live in them.

If you have a project two-thirds done and one-third not, the one-third is going to take over the two-thirds again before long. I would just urge the Department to try and work out something with the receiver so that we don't end up with this situation going on and on, because the uninhabitable units will just drag down and undo everything that has been done already.

Eventually, I think that will cost more money. I am convinced that if we keep fighting it just totally in the courts, it will go on and on and on.

So I would urge some real attention in the Department to seeking some avenues to get a final resolution, hopefully not in the courts, solving the problem. Even if you win in St. Louis, you still have the other suit.

The whole project will be back to where it was a couple of years ago and we will start all over again. Really, there has been major improvement in its administration.

Secretary **Pierce**. Well, let us look into it and see what we can do with it. I know it has been in litigation for a long time. We just talked about it the other day.

Mr. **Sabo**. It goes on and on. I assume somebody locally or HUD will find some reason to file another lawsuit after something else happens.

It has to be resolved by negotiations.

Thank you, Mr. Chairman.

Mr. **Boland**. Mr. Lewis.

PRIORITIES UNDER GRAMM-RUDMAN

Mr. **Lewis**. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Mr. Secretary, I have not had the years of experience that the Chairman has had in reviewing these many programs. I do share with the Chairman a common concern that is reflected in the fact we both voted against Gramm-Rudman.

That is not to suggest either of us are not concerned with the deficit, and we do understand the pressure that you are under.

By way of general concern, I would like to say that it seems that our priorities where we are going to in our housing programs ought to place their greatest emphasis on making sure those dollars get to the truly needy, to the poor and those who are attempting to break through and make it in our society and not necessarily serve so efficiently those who would use the process to improve their personal economic well-being.

Times of economic pressure force us to re-think where we have been.

I find Members around the House actually looking at the sizes of their staff and a variety of reviews are taking place that are probably healthy even though we don't like it. I think this atmosphere affects every segment of the Government including your own and that is a piece of your response that we are seeing today, not your budget originally submitted as Mr. Coughlin aptly pointed out.

Let me mention a couple of concerns. One is that the President responding to your submission in turn has responded to our directive from Gramm-Rudman. It is the Congress' direction.

We have a budget process around here and I must say for the record, Mr. Chairman, that I am concerned that we sit here without even having a hearing that marks up our House budget and yet our Subcommittee is attempting to grapple with this mutual interest in solving not just a budget problem, but also some very serious housing concerns.

I wonder whether we need a Budget Committee if that is going to be the pattern around here.

Mr. **Boland**. I don't know if this Committee ever needed one.

Mr. **Lewis**. I, frankly, think this Committee has demonstrated that.

Mrs. **Boggs**. None of us voted for Gramm-Rudman.

MAINTAINING LOW-INCOME STATUS OF PROJECTS

Mr. **Lewis**. Illustrative of that point, sometime before I arrived, Congress did make the mistake in some of the language that directed one of our programs. In my own district, we funded a rental housing project that provided rental locations for low income families.

Subsequent to that, because the law allowed it just not so long ago, the owner of the project went through a re-financing process, and once relieved of the Federal loans, he was free to go about raising those rents. Your Department has been very responsive in dealing with this one specific group of families that had a serious problem but this raises an issue that obviously applies to the entire country, not just my district.

I understand that we have changed the law to put more limitations upon the way people use Federal funds to build projects and later re-finance, but that case in point in my district illustrates my concern that such incidents still occur.

I would hope that as we are allowing dollars to flow from our projects that are designed for low income families, people who are needy, whether it is rental housing or owner occupied housing, that we would be careful to make sure that we do what we can to prevent our very fine counsel out there, the lawyers of the country, to find means of helping their own employers find loopholes in our law that allow the funds to be used for those people who aren't the poorest of the poor.

TARGETING SCARCE RESOURCES TO NEEDY

I illustrate that point in another way. Last year—maybe it was not that long ago—the last go-round on UDAG, which some consider to be a very fine program, one of my dear colleagues from our committee was complaining because everybody else in his state had received funding under UDAG, their request for priority projects, and his had been turned down.

The project that was turned down involved a major American corporation building a home office and developing a site with surrounding business condominium units.

Frankly, Mr. Secretary, it was this Member's view that the market place will work in those instances. We have made some mistakes in the past redeveloping urban blight and in having that program move all the way to having the Federal Government finance major commercial development projects where Bullocks and many companies compete with each other to get in line to get the Federal dollar. I think we have a lot of success in those areas.

In my judgment, those are the areas we ought to put pressure on to see that the dollars we have available get to those who are truly needy in our society. Having said that, I do have one specific question, Mr. Chairman.

1986–1987 MODERNIZATION FUNDING LEVELS

Mr. Secretary, your budget for public housing modernization for 1986 was $458 million to cover emergency modernization needs. Your 1987 request is for $225 million.

Why do you expect that PHAs will only have about 50 percent of the need that was your request the year before?

Secretary **Pierce**. Actually, both of those figures are the same. I will let our financial man explain that for you. They are actually the same.

Mr. **Lewis**. They are the same figure?

Mr. **Kliman**. 1986, what you see here is a very strange phenomenon which is caused by current law which we are proposing to change for 1987. Under current law in public housing, we are on a long-term financing basis so that in order to do $225 million of capital cost, it is necessary to enter into a 20-year contract for a loan which we then must pay off with interest over the 20-year period.

The total debt service for that $225 million is the $458 million that you referred to. What we have in the budget is a proposal to convert to capital grants in 1987 so that when the Congress wants to provide $225 million it can simply provide $225 million.

The situation we have right now is very strange. Under current law we will enter into contracts with the public housing authorities. We will commit budget authority, however, of $458 million which includes 20 years of interest. We will provide direct loans for the $225 million out of the public housing loan fund as the public housing authorities draw down that direct loan money.

Then based upon the Reconciliation Act, which was just passed, we will then forgive those loans. We will then recapture the $458 million of budget authority which then is rescinded under the law.

It is a very strange process which requires the Congress, this Committee, to provide two times the amount of budget authority that is necessary to do the job. We hope in 1987 the Congress will provide the capital grant authority to finish the process of public housing reform which was started in the reconciliation bill.

That is why $458 million equals $225 million.

IMPACT OF RETROACTIVE TAX BILL PROVISIONS

Mr. **Lewis**. Mr. Secretary, last year, six months ago, or so, as we were talking about the tax package which was mentioned earlier, a storm began to develop, at least in California, relative to the lack of any confidence on the part of certain developers who were in the housing development business.

As the House closed down last year, we went about asking the leaders in this field by way of committee to set some specific targets for implementation of any changes that might take place in the law.

We thought we were going to get out of some of the subsidized housing programs or radically cut them back to have a certain time in which the action would fall.

Is that lack of confidence or lack of time assurance condition? Does that still exist or has the Congress responded enough to relieve that pressure?

Secretary **Pierce**. Well, I think it has responded enough to alleviate the pressure.

I don't feel the pressure.

Mr. **Lewis**. You don't sense there is a problem at this point with developers, particularly I am talking about the Philadelphia bond lawyers because of a lack of confidence of dates for implementation and changes, everything seemed to go on freeze for a period of time.

Is that atmosphere relieved at all?

Secretary **Pierce**. Yes, but let me have Silvio speak to that.

Mr. **DeBartolomeis**. We have problems with the bond counsel because of uncertainty over dates. At this time what we are seeing is a large number of projects that got in before the end of last year.

Right now it is very difficult to have tax exempt bond underwriters give you the go-ahead. Interestingly enough, I think it is very positive to note interest rates are finally getting low enough that tax exempt financing is not needed to make the numbers work on a project.

So what we find are projects are being done for economic reasons and not for tax reasons. I think that is the best thing we can do with this Administration's help—lower interest rates.

Secretary **Pierce**. Therefore, you get them done any way so, therefore, I don't worry about it as much.

Mr. **Lewis**. We had some very real pressure as we were talking about the Rostenkowski bill moving forward and there was doubt about it; we tried to move in the direction of some repair, so that was a temporary problem and you are correct. I think interest rates have had a big impact.

Secretary **Pierce**. They are getting the job done anyway.

Mr. **Lewis**. Thank you, Mr. Chairman.

HODAG PROGRAM

Mr. **Boland**. Did you indicate that you favor the HODAG program?

That is a program in which we made available $75 million in budget authority. There was $3 million of that sequestered, for a total of $71 million available for 1986. How much of that has been committed?

Mr. **DeBartolomeis**. First, let me answer. I am not in favor of the HODAG program. It is a program that is too expensive and not very well targetted.

I agree 100 percent with the Secretary in his comments on this program.

Mr. **Boland**. If we were to improve targeting vis-a-bis the vacancy rate, would that be satisfactory?

Mr. **DeBartolomeis**. I think it needs a wholesale review. I don't know that any tinkering would do for the HODAG program, what the Secretary has been asking for with regard to the SPOT program.

Mr. **Boland**. Do you think there is a windfall for developers?

Mr. **DeBartolomeis**. Absolutely.

FAIRNESS OF HUD REDUCTIONS

Mr. **Boland**. I think the Secretary noted one of the problems that Mr. Lewis has with this budget. I think it will underscore the problems all of us have with this budget; that is, whether or not you believe it is fair that HUD should contribute 70 percent to the deficit problem rather than 4.3 percent that all other agencies are contributing.

Actually, the actions taken by this Department on the recommendation of the Administration actually reduces this budget by 70 percent. That is totally unfair compared to what other Departments and Agencies are doing with respect to reductions.

Secretary **Pierce**. I think that is something the Congress should look at and judge because they are looking at all of the various departments coming before them and they can judge and see what they believe is fair.

RELIANCE ON VOUCHER PROGRAMS

Mr. **Boland**. I think that is a fair statement.

One of the problems we have is it seems that the Department is putting all of its eggs in one basket in a voucher program. As you have indicated on pages C-20 through C-23, in the justifications these contracts for all of the programs now available will need to be renewed. That does not pertain to public housing. Actually, over that five year period, renewals will amount to some $8 billion by 1991 for the voucher program alone.

Public housing, of course, is not included in the renewal costs. Also, at the end of the 30 years, at least we own the public housing units. The public housing authorities own the units. That is not so in all the other units that are being renewed up through the period of 2000.

So driving along that voucher road to meet the problems of housing is one, I think, that is going to be very costly. In the long run it is going to get into a quasi-entitlement program that is impossible to stop since it is practically imbedded in the law.

Bill?

STATUS OF NASHVILLE, TENNESSEE, OFFICE

Mr. Boner. Thank you, Mr. Chairman.

Mr. Secretary, first of all, I want to pay tribute to your staff members, Steve May and Kevin Igoe and Tim Coyle. They have been very responsive at the times we have called on them; they have not always given the answers I wanted but they were responsive. For that I think that they are to be complimented.

I want to ask you a question I have never asked you before and that is what do you plan to do with the Nashville HUD office. Are you going to keep it as it is or will you expand or diminish it.

Secretary Pierce. Right now we are keeping it as is.

Mr. Boner. So my folks can rest assured for another year you have given your word.

HOMEOWNERSHIP DEMONSTRATION

Secretary Pierce. For another year.

Mr. Boner. Gramm-Rudman set-aside, we are going to be open for business down there for the next year then.

Last year, Mr. Secretary, the Committee approved a reprogramming request for funding for the public housing homeownership demonstration. The Chairman asked a number of detailed questions yesterday afternoon when Assistant Secretary June Koch testified. Can you tell me from your perspective what is the current status of the demonstration and, more specifically, how is the project doing in Nashville if you are aware of that?

Secretary Pierce. Which demonstration are you talking about?

Mr. Boner. This is your homeownership demonstration.

Secretary Pierce. I understand that we have sold one house so far. That was in McKeesport, Pennsylvania. We are in the process of selling others.

I understand that we should sell some in Nashville within about a year or so. Consequently everything is moving along, but we haven't really sold a lot of houses yet.

They are on the board to be sold. The plan is working but it is going to take a little time.

FHA INSURANCE PREMIUMS REFUNDS

Mr. **Boner.** I have a question about the Department's procedure in refunding FHA insurance premiums following the final payment of a FHA insured mortgage. You may want to refer this to one of the staff members.

I guess you hear about these situations but they don't come to light until you have a personal experience in it. I have a constituent who received a letter from a Connecticut-based research and recovery firm telling them they were entitled to some Federal funds and if they would agree to give the collection agency 25 percent of it they could assist them in the recovery.

The letter said that the refund was neither a tax refund nor a social security payment, but didn't identify the refund any further. It turned out that the refund was paid by your Department in the amount of almost $1,200.

In checking with your officials my office was told that the Department relies on mortgage companies or lenders to notify the home owner that he or she is entitled to a FHA insurance premium refund. When, as in this case, the mortgage lender fails in his responsibility, the homeowner then becomes the target of such recovery firms as the Connecticut one.

In essence, what we have is an individual who, when they pay off their loan, is not properly informed by the mortgage company. Then they may very well be an unwitting victim to a collection firm doing for them what they are entitled to have done by right.

My question is what are the Department's procedures on refunds and what do you do to find out whether or not a mortgage company is notifying the lender that they would be entitled to a refund?

HUD REFUND PROCEDURES

Ms. **Tardy.** We actually refund it. It is the distributive share that the individual is entitled to for having a FHA insurance under the mutual mortgage insurance fund. It is incorrect that the mortgage company notifies the individual.

HUD does that. It is my office that notifies the individual. We do it when we receive information that the mortgage has been terminated or paid off.

We send a letter to the individual at the last current address that we have.

Now, in some cases we do not get a response back. We then ask our field offices to try to find the individuals. We have put out press releases on this program telling people that they might be entitled to a refund.

There has been information in local papers and there also has been information in nationwide syndicated columns. We receive over 3,000 pieces of correspondence a week about this program. So we do make a very concerted effort to notify the individuals.

We find over 90 percent of the people who are entitled to a refund. We have gotten, working with our General Counsel's office, authority to expand the time limit that we consider that we are trying to find the individual ourselves up to two years.

It use to be only one year. At the expiration of the two-year time period, unfortunately, if we have not found all the people under

Freedom of Information, third party tracers can come in and ask for our list and then they go out and try to find the individuals.

I would also add the check we send goes to the individual who had a mortgage. It does not go to any third party tracer.

So our check goes back to the individual even if the third party tracer finds the person. So all of the money goes to the individual and I think he can refuse because it is his money.

He does not have to make any payments to those individuals. But the Department does much more than ever was done in the past to try to find people. In fact, it use to be that we had a six year statute of limitations.

If you did not get your refund within six years, that was it. Under the Secretary's direction, we went to the GAO and asked the GAO to change that and eliminate the statute of limitations ruling which we have been successful in because the Department feels very strongly this money is a distributive share, belongs to the individual because he has had his mortgage, he has made his payments all those years and he should get the money back.

So I think we have done a tremendous amount to try to get the money to the people.

As I say, we are reaching over 90 percent of the people. We would like for it to be 100 percent but there are ten percent we are not finding under our process.

FHA LOANS ELIGIBLE FOR REIMBURSEMENT

Mr. **Boner**. In this procedure, how many claims a year or how many loans a year would be eligible for this reimbursement?

Ms. **Tardy**. We paid 101,000 last year. Now how many would be eligible I would have to check for the record because what we paid last year isn't necessarily everyone who came into the program last year.

It is at this point anyone who is outstanding who has not receive his payment and I can get those numbers for you. We are anticipating making 145,000 payments this year. Now that is in contrast to in calendar year 1982 there were only 79,000 payments made. Every year we are increasing more.

UNCLAIMED FHA PREMIUM REFUNDS

Mr. **Boner**. Would you supply for the record a list of unclaimed FHA insurance premium refunds broken down in periods if they are 30 days old or 60 or a year, whatever. I would like to have that.

Ms. **Tardy**. Yes, sir. We can do that.

[The information follows:]

Aging of Unclaimed Distributive Shares

Fiscal year 1985 activity resulted in a total of 100,875 cases becoming eligible for distributive shares amounting to $91.9 million. As of May 22, 1986 a total of 73,400 cases have been paid amounting to $67.7 million. The remaining 27,475 cases accounting for $24.2 million have yet to be paid out.

After a 2-year period has elapsed, third party tracer organizations may undertake to locate missing mortgagors. We do not include cases in the unclaimed category until the expiration of the 2-year period.

Listed below are the approximate number and amounts of premium refunds currently outstanding which are more than 2 years old by year in which the refund was declared.

Year declared	Number	Amount ($ in thousands)
1984	7,000	$6,700
1983	14,450	8,100
1982	5,850	3,400
1981	6,800	2,800
1980	8,600	4,100
1979 and prior	52,000	15,000
Total	94,700	40,100

NUMBER OF MORTGAGORS NOT FOUND

Mr. Boner. How many loans or repayments would you say you have just in numbers, not dollar amount, in numbers, are out there that are unclaimed?

Ms. Tardy. I don't know. We would have to provide that for the record.

[The information follows:]

Number of Claimants Not Located

Through 1984, there were approximately 94,700 unclaimed premium refunds outstanding. Unclaimed premium refunds outstanding are classified as those distributive shares which have not been paid out because the Department has not been able to locate for more than 2 years the mortgagors who are eligible for the premium refunds.

INCREASE IN FHA FEES

Mr. Boner. Thank you, Mr. Chairman.

Mrs. Boggs. May I ask something about FHA, the new proposals?

Mr. Boland. Sure.

Mrs. Boggs. We are all interested in first time homebuyers, of course. With the proposal that the users fee be increased from 3.5 percent to 5 percent and that the fee be paid at the time of the closing in cash instead of amortized over the years, do you think that is a little discouraging to first-time homeowners?

Secretary Pierce. It will cost them more money. In fact, if one buys a home at about $40,000 and does all the things we have requested in our legislative proposal, the initial cost would be about twice as much as it costs now.

Mrs. Boggs. Would you agree that is discouraging to first-time homeowners?

Secretary Pierce. Obviously if it costs more, it is more difficult for them. There is no doubt about that. However, we think they can pay it.

We have made studies and so on, which lead us to believe they can pay it. Obviously if people have to pay less, it makes them feel better.

RENTAL REHABILITATION PROGRAM

Mr. Boland. Mr. Secretary, the Department requested 30,000 rehab units from OMB and I assume your position has not changed. Would you like to see that 30,000 units stay when this bill is marked up?

Do you think that program is adequately targeted to low vacancy areas?

Secretary **Pierce**. In the rental rehab program?

Mr. **Boland**. Yes.

Secretary **Pierce**. Let me answer first because he wants my opinion. My opinion is that it is a good program. It certainly is not perfect by any means, but it is better than the HODAG. Now you can answer.

Mr. **Moran**. It is much better targeted than the HODAG program. Our experience has been units are being constructed or rehabilitated in the areas where there is a shortage of rental housing available for the low and moderate income individuals in those areas.

Mr. **Boland**. I assume that since the Department requested the 30,000 units, that its position is unchanged. It still favors it. Is that a fair assumption?

Secretary **Pierce**. Well, again, that puts me in a very tough position, Mr. Chairman. We have to agree with what our Administration has proposed in our official position.

AGREEMENT ON 1987 BUDGET

Mr. **Boland**. As I have said before and I will repeat again, I understand what the problems are on that side of the table. I don't know of any Subcommittee of Appropriations that has been more reasonable with respect to its dealings with the agencies and Departments than this Subcommittee has.

I think the history of what we have done with our budgets and how they have been accepted by the other body and by whatever Administration is down at the other end of the Avenue clearly indicates that. I made some suggestion that perhaps this Committee and its staff could work with the Senate Committee and its staff to come to some general agreement on what these programs ought to be for fiscal year 1987. I would hope that we could get some support from the—I don't expect to get it from OMB because some of the changes that they have suggested are changes that we cannot and will not go along with. Ultimately, of course, the ball is in the court, it is in the OMB court, too, but primarily it is at 1600 Pennsylvania Avenue.

If we can come to some particular agreement up on this Hill here and with the Department, I hope that can be done. So in the few weeks to come we will be headed in that direction. Perhaps we can come to some reasonable basis on how these programs ought to be funded and the extent to which they ought to be funded.

That is a reasonable position, isn't it?

Secretary **Pierce**. If the Senate and House agree on a position and they want to get technical advice from us, we would certainly give it to them.

Mr. **Boland**. We want more than technical advice from the Department. We would like to have a relatively strong voice.

You are the people that understand the programs better than those who look at the figures in OMB—much better. You have got a competent staff. I would think you would have some pretty good persuaders. In any event, that is what we are going to attempt to do.

POLICY LEVEL VACANCIES AT HUD

On that basis, we will work toward that end. Let me ask, it may not be a problem with you, but many of the leadership jobs have not been filled at HUD: no Under Secretary, no Assistant Secretary for Housing, no Assistant Secretary for Public Housing, no Assistant Secretary for Fair Housing.

Secretary PIERCE. That is not quite right, because we have made selections and they are being cleared.

Mr. BOLAND. But they are all Acting?

Secretary PIERCE. No. We have people selected and it is a matter of clearances.

Mr. BOLAND. It is just a matter of clearances?

Secretary PIERCE. On everyone except the Under Secretary. The Under Secretary position is more complicated because, to be very frank about it, we are having some difficulties as to who should be Under Secretary, all right? But as for the rest of them, there is no problem.

Mr. BOLAND. Okay.

Mrs. BOGGS. Mr. Chairman.

Mr. BOLAND. Yes.

RELATIONSHIP BETWEEN VACANCY RATES AND UNEMPLOYMENT

Mrs. BOGGS. I know you have asked for a look into the figures about the availability of rental housing units, vacancies. I would hope that in that search for how they are spread over the nation that you would try to see if there is any equation between the high unemployment rates and the vacancies that exist in moderate and low rental housing in the private sector.

It may just be that people have lost their jobs, can no longer rent those units and are now transferred to a waiting list on the public housing rolls.

Secretary PIERCE. We will try.

[The information follows:]

Comparison of Vacancy Rates and Unemployment Rates
1985 Annual Averages

	Vacancy Rates		
Unemployment Rates	HIGH 7.0% or More 7 Areas	MEDIUM 4.0% to 6.9% 8 Areas	LOW Less Than 4.0% 8 Areas
HIGH 7.0% or More 9 Areas	San Bernardino-Riverside, CA Miami, FL Pittsburgh, PA Houston, TX	Chicago, IL Detroit, MI Cleveland, OH	Los Angeles-Long Beach, CA New York, NY
MEDIUM 5.0% to 6.9% 7 Areas	Denver, CO Phoenix, AR	San Diego, CA Atlanta, GA Baltimore, MD Newark, NJ Philadelphia, PA	
LOW < 5.0% 7 Areas	Dallas, TX		Anaheim-Santa Ana, CA San Francisco, CA Washington, DC Boston, MA Minneapolis-St. Paul, MN Nassau-Suffolk, NY

Source: Housing Vacancy Survey, Bureau of the Census and Employment Data from Bureau of Labor Statistics; data collected monthly throughout 1985 as part of the Current Population Survey.

The data, as presented above, show that in 1985 in these 23 markets, unemployment rates and vacancy rates had some direct relationship except for unusual situations in areas like Dallas, Los Angeles-Long Beach, and New York.

Mr. **Boland**. Mr. Secretary, thank you very much. Thank you for being with us.

We appreciate your position and also your appearance. Thank you very much.

HOUSING PROGRAMS

Mr. **Green** [presiding]. I have been deputized to start in the absence of the Chairman so we can move it along for you.

On pages C–1 through C–3, you detailed your rationale for 50,000 housing voucher units in 1986. I am sorry. You have a statement. Let's permit that first.

Summary of Statement by Mr. DeBartolomeis

Mr. **DeBartolomeis**. Mr. Chairman, Members of the Committee, I am pleased to appear before you today to discuss the 1987 housing budget. I would like to summarize my statement for the Committee and ask that my full statement be entered in the record.

In fashioning this budget, we have been driven by two objectives, reducing Federal spending and providing an adequate level of additional housing assistance for the most needy. Our program is proposed to be funded with authority deferred and carried forward from 1986.

We are also proposing to shift the cost-effective housing program as an exclusive subsidized housing vehicle. Of the 50,000 incremental vouchers we are requesting, half would go to metropolitan areas and the other half to non-metropolitan areas.

This is consistent with HUD's expanded role in rural areas due to the proposed termination of the Farmers Home rental assistance programs.

MANAGEMENT AND LEGISLATIVE INITIATIVES

In accordance with the Administration's strategy to reduce the Federal deficit, we are proposing a number of management and legislative initiatives which are designed to reduce subsidy costs. These proposals include, one, requiring subsidized tenants to provide social security or employee identification numbers to verify income; two, a fair market rent freeze in 1987. Those would be frozen at 1986 levels. Three, no contract rent adjustments in 1987 for Section 8 certificates. Moderate rehabilitation units and project-based units where allowable under the contract. Four, repeal of Section 8 provisions which establish an operating cost based limitation on the contract rent adjustments and; five, reductions in the PHA administrative fees for certificates and administrative fee cost sharing with States and localities.

Should all these initiatives be approved, cumulative savings of $4 billion would be realized by 1991.

MORTGAGE INSURANCE PROGRAMS

As for our mortgage insurance programs, the economic recovery and, ultimate resulting falling interest rates, have generated record mortgage insurance application activity in 1986.

We currently expect a minimum of 1.5 million applications compared to the 900,000 included in the budget's submission. We requested a supplemental to provide sufficient credit to meet demands to the end of this fiscal year.

The budget reflects the impact of several legislative and regulatory changes designed to reduce the insurance risk and to target mortgage insurance activity to those households which are not served by the private sector.

At the same time, these proposals will eliminate FHA insurance for low risk borrowers whose needs can be fully served by the private insurers. These proposals include, one, prohibiting the financing of pre-paid mortgage insurance premiums and closing costs; two, limiting eligibility under the single family programs to households with gross incomes at or below $40,000 per year, and, three, repealing authority to insure second homes and investor loans under the single family programs.

FHA STUDY

Mr. Chairman, I would like to emphasize that this budget does not include a proposal to sell FHA. What is planned is a study of the Department's mortgage insurance programs in order to distinguish functions which may be more efficiently performed by the private sector.

It is our objective to minimize overlap and needless competition between FHA and the private sector. We certainly are not advocating or expecting reductions in available credit for housing nor are we planning to walk away from those not adequately served by the private sector.

We have not made any pre-determination to the Department's continued role in mortgage insurance programs. Only after an objective and comprehensive study and after broad consultation with interested parties will the Department present its findings to the Congress in early 1987.

PROPOSED PROGRAM TERMINATIONS

Consistent with our overall strategy for bringing assisted housing costs under control we are proposing to terminate funding for additional activity under the Section 202 program beginning in 1986. We feel that the housing needs of the elderly or handicapped can be met through the housing voucher program.

Because of its payment standard mechanism, many elderly tenants will be able to rent and receive assistance in place and would not have to move to receive assistance. Also proposed for termination is the Housing Development Grants [HODAG] program.

We found the program has not been well targetted to need; since over 40 percent of the projects approved in the first round were found to be located in cities with rental vacancy rates that exceeded the national median.

It is important to note that the rental vacancy rate of 6.8 percent in the third quarter of 1985 was the highest in 18 years and that the rate was highest not for luxury units, but for units renting for between $200 and $249 per month.

Moreover, with multi-family construction from 1983 through 1985 at its highest level since 1973 and with the very soft demand for newly constructed units, the continuation of the HODAG program simply cannot be justified.

Mr. Chairman, that concludes my summary of our 1987 budget. I will be happy to answer any questions that you or other members may have.

I want to thank you for this opportunity to discuss the Administration's proposals for Federal housing programs.

[The statement of Mr. DeBartolomeis follows:]

STATEMENT OF SILVIO J. DEBARTOLOMEIS

GENERAL DEPUTY ASSISTANT SECRETARY FOR HOUSING-FHA COMMISSIONER

BEFORE THE

SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES

THE HOUSE COMMITTEE ON APPROPRIATIONS

Mr. Chairman and Members of the Committee:

I am pleased to appear before your Committee to discuss the 1987 Housing Budget. I would like to briefly summarize the major Housing proposals included in the 1987 Budget and, afterwards, would be happy to answer any questions you may have regarding our request.

SECTION 8

The 1987 Budget for Housing proposes a program level supporting the reservation of 50,000 incremental units. The program level will not require an appropriation of new authority but instead would be funded entirely from authority deferred and carried forward from 1986.

This program level is consistent with meeting the dual objectives of providing an adequate level of additional housing assistance and, at the same time, reducing Federal expenditures. Reflecting these considerations, the Department is proposing a shift to the cost-effective Housing Voucher program as the exclusive subsidized housing vehicle. In addition to the 50,000 incremental Vouchers 3,500 Vouchers are proposed for tenants of Section 8 projects whose owners decide to "opt-out" of the program and for tenants of Public Housing projects affected by demolition.

The allocation of funds under the Housing Voucher program is proposed to be split evenly between metropolitan and non-metropolitan areas based upon HUD's expanded role in non-metropolitan areas as a result of the proposed termination of Farmers' Home Rental Assistance Programs. An additional 9,000 units are proposed under the Section 8 program to meet Loan Management and Property Disposition needs.

It also should be noted that completions of Section 8 units in the construction pipeline will total 117 thousand units in 1986 and an additional 120 thousand units in 1987.

In accordance with the Administration's strategy to reduce the Federal deficit, the Budget includes a number of management and legislative initiatives which are designed to reduce subsidy costs:

-- Legislation is being sought to require subsidized housing tenants to provide social security or employee identification numbers in order to verify tenant income.

-- A Fair Market Rent (FMR) freeze at 1986 levels is proposed for 1987.

-- The Department plans to provide no contract rent adjustments in 1987 for Section 8 certificates, Moderate Rehabilitation units and those project-based units (other than new construction or substantial rehabilitation projects) where such action is allowable under the contract.

-- Section 8 regulations which establish an operating cost-based limitation on contract rent adjustments for certain projects have proven infeasible and are being proposed for repeal. The Department intends to shift its efforts to reducing excessive contract rent allowances through a stricter enforcement of the current rent comparability provisions in the law.

-- The Budget proposes two structural changes to the current Administrative fee structure for the Section 8 and Housing Voucher programs. First, regulations will be published during 1986 which will reduce the fee structure used to reimburse agencies administering the Certificate program to the fee schedule used for the Housing Voucher program. Second, legislation is being proposed to permit cost-sharing with States and localities and would allow HUD to pay one-half of the fees that are permitted under the Housing Voucher, Moderate Rehabilitation and the Certificate programs.

Should all of these initiatives be approved, cumulative savings of $4 billion would be realized by 1991.

As a result of provisions in the Housing and Urban-Rural Recovery Act of 1983 which changed the definition of adjusted tenant income, retroactive rebates will be paid to tenants of subsidized housing. Rebates will also be required under the Rent Supplement and Section 236 programs as well.

HOUSING DEVELOPMENT GRANTS PROGRAM

Consistent with the Administration's policy to reduce Federal expenditures, the Rental Housing Development Grants (HoDAG) program is proposed to be terminated.

We have found that the HoDAG program is an expensive way to subsidize lower income housing. Since market rate units are also being subsidized along with the lower-income units, an average grant of about $73,400 is required to obtain one lower-income unit. By comparison, a voucher over a similar 20 year period would cost $28,350. In addition, three quarters of the projects utilize tax-exempt financing which adds about $10,000 of tax expenditures per unit to the Federal cost of the program.

The program has not been well targeted to need, since over 40 percent of the projects approved in the first round were found to be located in cities with rental vacancy rates that exceeded the national median. It is important to note that the rental vacancy rate of 6.8 percent in the third quarter of 1985 was the highest in 18 years and that the rate was highest not for luxury units but for units renting for between $200 and $249 per month.

Moreover, with multifamily construction (from 1983 through 1985) at its highest level since 1973 and with the very soft demand for newly constructed units, the continuation of the HoDAG program simply cannot be justified.

HOUSING FOR THE ELDERLY OR HANDICAPPED

Consistent with our overall strategy for bringing assisted housing costs under control, we are proposing to terminate funding for additional activity under the Section 202 program beginning in 1986. We feel that the housing needs of the elderly or handicapped can be met through the housing voucher program. Because of its payment standard mechanism, many elderly tenants will be able to rent and receive assistance "in place" and would not have to move to receive assistance.

Due to projects already in the construction pipeline, we expect over 32,000 units to be added to those under management after 1987. To ensure that these units are properly funded, the Budget proposes a $30.3 million loan limitation in 1987 in addition to $54.6 million in 1986 to support necessary amendments to previously approved projects.

MORTGAGE AND LOAN INSURANCE PROGRAMS (FHA FUND)

Falling interest rates have generated record mortgage insurance application activity in 1986. We are now expecting a minimum of 1.5 million applications compared to the 900,000 included in the budget submission. We have requested a supplemental to provide sufficient credit to meet demand through the end of this fiscal year.

Applications for single family insurance were originally estimated for the Budget at 625,500 units during 1987. While we are reviewing this estimate in light of current demand, the Budget also reflects the impact of several legislative and regulatory changes designed to reduce the insurance risk and to target mortgage insurance activities to those households which are not served by the private sector. At the same time, these proposals will eliminate FHA mortgage insurance for low risk borrowers whose needs can be fully served by private insurers. The proposals include: (1) prohibiting the financing of prepaid mortgage insurance premiums and closing costs; (2) limiting eligibility under the single family programs to households with gross incomes at or below $40 thousand per year; and (3) repealing authority to insure second homes and investor loans under the single family programs. In addition, applications for multifamily insurance is estimated at 83,800 units and Title I loans at 205,000 insured loans.

The use of commitment authority is projected in the Budget at $37.2 billion, out of the $50.9 billion requested for 1987. This is now under review, given recent events, and we hope to communicate our conclusions in the near future.

The Budget also includes a proposed increase for single family prepaid premiums from 3.8 percent to 5.0 percent in 1987. This change is part of an Administration effort to increase user fees in a wide variety of programs.

An appropriation of $273.0 million also is being requested for 1987 to cover the unrestored actual losses incurred in 1985 under the General Insurance and Special Risk Insurance Funds. This appropriation will be used to pay mortgage and loan insurance claims, operating expenses and to retire outstanding treasury borrowings, as appropriate. As you know, these appropriations have allowed the Department to hold the line on additional Treasury borrowings over the years and thereby reduce interest costs to the FHA fund.

Finally, I would like to emphasize that this Budget does not include a proposal to sell FHA. What is planned is a study of the Department's mortgage insurance programs in order to distinguish functions which may be more efficiently performed by the private sector. It is our objective to minimize overlap and needless competition between FHA and the private sector. We certainly are not advocating or expecting reductions in available credit for housing, nor are we planning to "walk away" from those not adequately served by the private sector.

We have not made any pre-determination of the Department's continued role in mortgage insurance programs. Only after an objective and comprehensive study, and after broad consultation with interested parties, will the Department present its findings to the Congress in early 1987.

TROUBLED PROJECTS/TMAP

The Troubled Projects (Flexible Subsidy) program and the Temporary Mortgage Assistance payment (TMAP) program are designed to reduce mortgage insurance claims and to preserve the existing supply of low and moderate income housing. For the Flexible Subsidy program, we estimate that $53.8 million will be used in 1987 to provide assistance to approximately 152 projects.

We are proposing a direct loan limitation of $73.8 million to provide initial assistance to 4,500 homeowners under the TMAP program for 1987. Monthly payments are made from the insurance programs on behalf of homeowners who have suffered temporary loss of income due to circumstances beyond their control. We expect this program to commence this summer.

RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE

During 1986, we expect to complete the formal process of converting rent supplement and RAP units in insured projects to Section 8. Approximately 21,000 insured Rent Supplement and RAP units that received Section 8 reservations during 1985 will formally convert to the Section 8 program. This is expected to result in the recapture of $1.4 billion of budget authority in 1986. Supplemental rescissions are being proposed for 1986 under both programs in order to rescind those recaptures not needed for contract amendments or tenant rebates. Those projects not converting to the Section 8 program will continue to be funded at their current level. They will not receive any amendment funding. Subsidy assistance to non-insured State-aided projects and amendments as authorized by the 1983 Supplemental Appropriations Act will continue.

SALARIES AND EXPENSES

Included in the budget are funds to support 4,849 FTE's for housing programs both in Washington and the Field. The number is based on the assumption that Congress agrees to terminate the programs we have proposed for elimination, reduce program levels as proposed, and agrees with the FHA budget estimates. All numbers of course are subject to revision depending on actual events.

Mr. Chairman, that concludes my summary of our 1987 Budget. I will be happy to answer any questions that you or the other members may have, and I want to thank you for this chance to discuss the administration's proposals for Federal housing programs.

U.S. Department of Housing and Urban Development

Biography

SILVIO J. DEBARTOLOMEIS
ACTING GENERAL DEPUTY ASSISTANT SECRETARY FOR HOUSING
FEDERAL HOUSING COMMISSIONER

Silvio J. DeBartolomeis was appointed Acting General Deputy Assistant Secretary for Housing-Federal Housing Commissioner in the Department of Housing and Urban Development, Washington, D.C., on February 10, 1986, by Secretary Samuel R. Pierce, Jr.

As the Acting General Deputy Assistant Secretary for Housing-Federal Housing Commissioner Mr. DeBartolomeis is the principal advisor to the Secretary for multifamily and single family assisted housing and FHA insurance programs. He also has fiscal and program management responsibility for $60.9 billion of insured and assisted housing annually and a staff of 5,000 throughout the United States.

Previously, Mr. DeBartolomeis held the position of Deputy Assistant Secretary for Multifamily Housing Programs. In that position, he directed and administered programs which include multifamily loan servicing, mortgage sales, property management and sales, tenant and project based subsidy programs, direct loans, and Housing Development Grants. He advised the Assistant Secretary-Federal Housing Commissioner on all legislative, regulatory, budgetary and procedural matters affecting this wide range of Federal multifamily programs.

Prior to his appointment as the Deputy Assistant Secretary for Multifamily Housing Programs, Mr. DeBartolomeis, served as Special Assistant to the Secretary of Housing and Urban Development, Special Assistant to the Assistant Secretary for Housing, and Executive Assistant to the General Deputy Assistant Secretary for Housing. In these positions, he provided advice and assistance on all matters regarding Federal housing programs.

Mr. DeBartolomeis is a resident of Rehoboth Beach, Delaware. He received a Bachelor of Arts degree in political science from the University of Denver, Colorado, and has held numerous positions in State and Federal Goverment, as well as local, state and national political and charitable organizations.

STATUS OF VOUCHER PROGRAM

Mr. **Green**. Thank you very much.

Of course, the full statement will be included in the record.

On pages C-1 through C-5, you detailed your rationale for 50,000 housing voucher units in 1986 compared with 38,000 provided in the appropriation act and 50,000 additional housing voucher units in 1987. I think that fiscal year 1986 represents the third year for funding housing vouchers.

In 1984 we provided something on the order of 15,000 units intended for a pilot program. In 1985, we provided 38,000, of which about 30,000 were piggy-backed on the new rental rehab program, and in 1986 we provided 36,000 vouchers.

Is that an accurate summary of where we are?

Mr. **Kliman**. Prior to Gramm-Rudman.

Mr. **Green**. Now, it is my understanding that although the program has been underway for more than two years, through February, HUD has under payment only about 1,000 units under the voucher program, and that is now standing at about 3,000. Is that accurate?

Mr. **DeBartolomeis**. I believe we had 3,978 after yesterday.

Mr. **Green**. Almost 4,000.

I guess particularly since the program was started as a demonstration program, how can you be so sure this is the program for which we should forsake all others when you have only got 4,000 units under payment?

Mr. **DeBartolomeis**. Well, you may recall that, when we first came to Congress, we asked for a full-blown program for the housing voucher program. We feel the housing allowance program was a long and detailed enough demonstration—I believe it was ten years in duration—to show that the concept does work. Basically, what we have done with the voucher program is to provide for rental affordability, using five-year terms instead of 15-year terms and some other improvements which show that the program should be able to be implemented as a full-blown program.

But since we were directed to study the program on a demonstration basis, that obviously is going to take a little more time. We had to go out and study the program. We had to hire contractors through the competitive bid process. We had to track each housing voucher with a housing certificate to examine their comparability and determine which units could be leased out more effectively.

Also, with the previous requirement that substantially all of the vouchers must be tied to the Rental Rehabilitation program, there was a specific amount of lag time in order for the rental rehab units to be completed and available—something between 12 and 18 months.

So I think, based on those circumstances, we are doing okay. We have made some improvements and I think what you are seeing now, the fact that the numbers are jumping exponentially, I predict we will have the program operating on a full-blown basis.

LAGS IN VOUCHER PROGRAM IMPLEMENTATION

Mr. **Green**. Still, I would suppose that the slow rate must raise some question. Is there a problem?

Does it illustrate some difficulty with the program that after two-and-a-half years you only have 4,000 units under contract? Are you satisfied with that?

Mr. DEBARTOLOMEIS. No. I am not satisfied with that number. We are working on ways to smooth out the process. There is obviously a tendency on behalf of some PHA's to favor the certificate program. The fees were more generous under the certificate program and quite honestly we are now working to bring those fees in line with each other so we will not provide a disincentive for use of housing vouchers.

It is often difficult for any person to deal with a new program when they have a tried program they are familiar with, such as the certificate program. There is always going to be a certain degree of reluctance before you enter into a new program.

So we think that the start-up phase is all pretty much behind us now and we are moving forward. We have had some good comments from people in the field and some PHAs. They feel the voucher program can and will work.

ELDERLY PARTICIPATION IN VOUCHER PROGRAM

Mr. GREEN. Are housing voucher units being reserved solely for families, or are the elderly also participating? If so, what is the percentage based on reservations to date?

Mr. DEBARTOLOMEIS. I believe the voucher program was really conceived for all families including handicapped as well as the elderly.

Susan, do you have some figures?

Ms. ZAGAME. We will be glad to provide that for the record.

USE OF VOUCHERS BY THE HANDICAPPED

Mr. GREEN. Also on the handicapped.

Mr. DEBARTOLOMEIS. Yes.

[The information follows:]

ELDERLY HOUSEHOLD PARTICIPATION IN VOUCHER PROGRAM

Preliminary indications are that voucher utilization by the elderly or handicapped will approximate Section 8 Certificate usage which is reported as 35 percent of the total Section 8 Certificate program.

COMPARATIVE RENT BURDENS

Mr. GREEN. In doing the evaluation of vouchers, the Chairman would like you to address two questions particularly. What are the comparative after-subsidy rent burdens of voucher certificate recipients? And, for those families who do have units meeting housing quality standards, what percentage of their income are they paying for housing?

Mr. DEBARTOLOMEIS. That is part of the demonstration and we expect to have that for you—we will have some preliminary data for you and provide that information early in 1987.

COMPARATIVE COST OF VOUCHERS AND CERTIFICATES

Mr. Green. Let me ask the question about the cost of housing vouchers another way. I believe last year in a conversation we had at this table, fundamentally it was admitted that there really was not a difference in the cost between Section 8 existing program and vouchers except for the fact the Section 8 existing program is a little deeper. But in any case, if one includes the administrative fees for the voucher program and if funds were provided for 15 years rather than five, wouldn't the cost of the program be comparable to the Section 8 existing program?

Mr. DeBartolomeis. I don't have those figures.

Mr. Kliman. In essence, the outlay is about the same, Congressman. Budget authority, of course, for vouchers is less because there is no project reserve in the budget authority as happens in the case of certificates. There are some very minor differences in cost, but essentially it costs the same. A voucher in locality A will result in approximately the same payment as a certificate in locality A.

REFUNDING OF EXPIRING SUBSIDY CONTRACTS

Mr. Green. What are the ramifications for providing subsidies for five years rather than 15? This has been asked before, but it is a matter of concern, and we want to know particularly what you think is going to happen with these tenants at the end of five years.

Mr. DeBartolomeis. My view is that at the end of five years we will have to look this over again and refund them with new vouchers.

Mr. Kliman. Congressman, I would like to provide one clarification. During this morning's hearing there was the implication that the full refunding cost in 1991 as displayed on page C-23 of the justifications was because of vouchers.

That is not true. We expect to have nearly 45,000 vouchers up for refunding in 1991, but at the same time we will have nearly 260,000 existing Section 8 certificates up in the same fashion.

The first 15 years are coming up. The total refunding question is coming up anyway, vouchers or not, and the billions of dollars that have been recited—and which are accurate numbers—is not a voucher problem. It is a refunding problem. I would add that the analysis in the justification only takes us to the year 2000. If the Committee had asked for what would happen by the year 2010 then we would have had to start considering refunding for the Section 236 program and the Rent Supplement program, as well.

Mr. Green. I suppose that even after periods of 15 or 20 years that people are not outgrowing the program, so to speak, does raise some question whether the five year limit on the voucher budget authority really is any savings at all.

Mr. DeBartolomeis. We are also looking for a certain amount of administrative flexibility. We have seen that five years is pretty much the life term of an active program, and what we would like to do is to be able to adapt to changes in the programs and incorporate what we have learned from the voucher program at that time.

We don't want to be locked in for a long period of time into a program that perhaps may be flawed. We won't know that until later on.

DEWILDE POOL

Mr. **Green**. Before I turn this over to Mr. Sabo, let me take advantage of the situation and let me ask a couple of questions on my own.

I refer particularly to the de Wilde pool of which I am sure some of you, at least, are familiar. Back in the old 236 days, there were some 63,000 units of non-insured Section 236 built and in December 1974, the first of several agreements between HUD and State agency Section 236 mortgagees were signed.

The agreements provided for reservation of Section 236 budget and contract authority for the States in exchange for a promise from the States not to request additional funds above and beyond the set aside at that time.

Over the past several years, however, the States have encountered greater difficulty in gaining approval from HUD to withdraw those funds that were both reserved and in their view legally obligated to the States. When can States expect to receive Section 236 pool funds that are reserved for the State mortgagees under the de Wilde agreements?

Mr. **DeBartolomeis**. That is a very complex issue. It is one that has been around a lot longer than I have been. I would like to point out that the issue really revolves around two main areas.

One revolves around the money involved. It includes $2.3 million appropriated in 1984 for use under the de Wilde Agreements and about $750,000 that has been recaptured by HUD and is due State agencies under the terms of the de Wilde agreement and an estimated three to four million that is potentially subject to recapture and which the states will want to re-use under the de Wilde pool.

Settlement of these issues is something currently under discussion within the Administration and I don't have a positive statement at this time saying what we will and will not propose.

I think it is a bit early. I will tell you what I would like to do is to get a pledge from the State agencies that they not ask for any new units. In exchange for that, we would provide a maximum flexibility of use of funds in ways they see fit. What I would like them to do is to have a settlement that we could all agree to, we could all sign our names to and then move forward to other issues.

Frankly, this is taking quite a bit of staff time and we would like to get this behind us.

I think we can achieve an agreement suitable to all parties. The time has now come to reach an accord. We will be working together with the State agencies and within the Administration and, I am sure, with the Hill to see if we can resolve this issue and put it behind us once and for all.

I also know your colleague, Senator D'Amato, has some legislation that is pending. I talked to him in the last hearing we had and indicated that I had hoped we would be able to resolve the issue and not need legislation.

Mr. Green. When do you anticipate the internal discussions within the Administration will be completed so that it will be possible for the states to resolve it, if it is resolvable?

Mr. DeBartolomeis. I would hope by the end of this summer we would have a proposal that the Administration could support.

INCREASED RISK FOR FHA PROGRAMS

Mr. Green. Turning to the question of the FHA, I would like to explore a little further a question I raised with the Secretary this morning. As I indicated, I am not in disagreement with the position of the Administration that Government guarantees of credit ought to be restricted as part of the budget process.

They do put people at the head of the line in terms of access to credit just as much as direct Government loans do or almost as much and, therefore, it seems appropriate to have limitations. Also it seems clear the limitations are not worth anything as we saw this year in connection with the GNMA FHA limitations unless there is some way of rationally allocating the limited amount of guaranteed authority.

But having said that I get a little concerned about the approach you seem to be taking because it seems that you are reserving for the FHA only the worst risk cases. While in the 203(b) pool, the mutual insurance pool, you have had an excellent record and that pool has done very well.

Some of the special risks pools, it has not been so good, it seems to me. In a sense, you are almost proposing to convert the mutual insurance pool into a special risk pool. Have you evaluated what the potential is on that and have you looked back at what the loss experience would have been if you had taken only these kinds of risks in the past?

Mr. DeBartolomeis. I would like to state for the record we are aware of the concerns that you have raised. We are going to be looking into that.

As the Secretary stated this morning, we have begun a study of the FHA and the role it would play in the future. One of the things this Administration has always tried to do is to target the FHA to provide access to the mortgage credit market for those people that are unserved or under-served, first time home buyers.

We feel what we are seeing today is an indication that there are people that really do not need FHA insurance that are getting insurance. I firmly believe that FHA mortgage insurance is a subsidy and that people that do not necessarily need to have that subsidy should not have access to it.

That is what we are working to study now. I think Susan Zagame has something to say.

Ms. Zagame. I would like to emphasize that we are not proposing to change our underwriting standards. We would still require credit worthiness of the participants in the FHA program and, therefore, people that apply would still have to meet the underwriting standards.

Right now, for instance, the median income of all home buyers under FHA is now $35,000 so we are serving relatively lower income people.

Mr. Green. I guess that is right in that there has been some self-selection in the users of FHA in the sense that if the mortgagee can comfortably take the thing on without FHA insurance or with one of the private insurers, the greater speed of that operation draws people to gravitate in that direction anyway.

Ms. Zagame. Many people participate in and choose FHA because of the low down payment requirements—three percent in some cases, and five percent in others—so there is a great advantage to participating in FHA if a person does not want to put a lot of cash into a transaction.

IMPACT OF PROPOSED $40,000 INCOME CAP

Mr. Knapp. Can I add something to that?

The particular proposal that your remark is directed to, I think, and it is a valid inquiry, is directed toward the $40,000 income limitation but that is, as Ms. Zagame indicates, a pretty high level. Although there may be some differentiation, I think, between those over $40,000 and those below just on an income basis alone, at that level I don't know that the differential is that great.

We also have the experience that, for the private mortgage insurers, only about 54 percent of their insurance is written below the $40,000 income level. It is not that clean a break between high risk and low risk at that level.

In addition to that, some of the other aspects of the proposals, particularly, say, the investor loans and vacation loans, I don't think they raise the same kind of principle of insurance and pooling consideration.

Mr. Green. On the other hand, the first-time home buyer is often a person less experienced carrying his obligation of home ownership. To some degree it is a little misleading situation.

Mr. Knapp. Yes, but again the first-time home buyer is somebody that the program targetted for but it is not targetted for him in any kind of way to the exclusion of others.

It is a hope that we are appealing to them more.

EFFECT OF PROPOSED CHANGES ON "SALES VALUE" OF FHA

Mr. Green. If you were to go about selling the FHA, and I realize that is not an Administration proposal at least this year, would you contemplate the whole pool, that is, insurance pool, obligation pool, would be sold with it?

Mr. Knapp. In approaching the whole question we really haven't approached it from that end of how you would sell or whether there would be a sale. It is more really directed towards an examination of whether—given the growth of the private mortgage insurance industry—there is a means through which the Federal Government should provide its role of enhancing the availability of mortgage credit other than through being a primary mortgage choice.

Those other kinds of questions are much farther than I want to go.

Mr. Green. I was asking that question in the sense that if you were contemplating even the possibility of selling the FHA to narrow its market at this time in a sense would give you a less valuable asset to sell so that you might in fact be costing the Federal Government money by narrowing the FHA's market at this time.

Mr. **Knapp**. The realization of loan assets are really not the objective of the FHA.

PHA ADMINISTRATIVE FEE STUDY

Mr. **Green**. I will turn to the Chairman's questions until Mr. Sabo gets back.

On page C-14, the justifications discuss the administrative fees. Basically, the Department is proposing to make two significant changes in the fee structure.

The first is to cut the fee 15 percent after having reduced the fee ten percent in 1985. The second is to have local governments assume half of the cost of administering the program. It was directed in both the 1985 and 1986 Senate Appropriations report to produce a study of the adequacy of the administrative fee structure.

Where does that report stand and what documentation does the Department have to show that the administrative fee should be reduced?

Mr. **DeBartolomeis**. We are currently studying this, however, the main reason behind our efforts to ask for a sharing of the fees is an effort to address the Federal deficit. We wanted to work in partnership with the States and localities in promoting effective program administration to try and develop as much in cost savings as we possibly can.

Mr. **Green**. Has the report been completed?

Mr. **DeBartolomeis**. The report has not yet been completed. The study should be ready in May of 1987.

Mr. **Knapp**. I think it was part of the voucher demonstration.

Mr. **DeBartolomeis**. The Senate report directed that the study should be based upon actual cost. Therefore, it was necessary to wait until the voucher system was up and operating.

In addition, it was determined the analysis should not include the first year's voucher experience, since it was a new program and required a learning curve which could perhaps distort the results. We should have it ready by May of 1987.

ADMINISTRATIVE FEE COST SHARING

Mr. **Green**. What assurance do you have that the states would pick up 50 percent of the administrative costs, and if they don't, what happens to the program?

Mr. **DeBartolomeis**. At this stage we are not sure whether or not the states and localities would pick it up. We would hope that like some of the other programs—food stamps, for example—there would be some willingness on behalf of the states and localities to pick up and share some of the burden.

PUBLICATION OF FAIR MARKET RENTS

Mr. **Green**. The Department is required by law to publish fair market rents each year, however, this year's fair market rents are more than eight months late. What actions has the Department taken to make sure that the fiscal year 1987 FMRs are not delayed?

Have you begun work on them and, if not, why, and also, when? How long will it take the Department to publish the final FMRs?

Mr. DeBartolomeis. I will defer that to Mr. Cushing.

Mr. Cushing. We are proposing a freeze. The Administration is proposing a freeze on FMRs for 1987 to reduce Federal expenditures and contribute to a reduction in the Federal deficit.

Mr. Green. So there will not be any actual determination of FMRs?

Ms. Zagame. There is a proposal now pending as part of the Administration's 1987 budget to freeze Section 8 FMRs for 1987. Therefore, we won't be going out with a FMR change in 1987.

We will be freezing them at the 1986 levels.

Mr. Green. That would require legislation.

Ms. Zagame. That is right.

STATUS OF 1986 FMRS

Mr. Green. Where do you stand on 1986, though?

Mr. DeBartolomeis. The Section 8 fair market rents were pubished today and effective today.

Ms. Zagame. That is for those FMRs for which we received no comments and which were being reduced. There were several hundred FMRs which were decreased and we received a substantial amount of public comment. The Office of Policy Development and Research is currently evaluating those comments to determine whether or not those decreased FMRs should be raised.

IMPACT OF FMR FREEZE ON VOUCHER RECIPIENTS

Mr. Sabo [presiding]. I understand that the authority for each housing voucher is calculated on the basis of the published fair market rent for a two bedroom unit. What ramifications will a freeze in the fair market rents—and thus the payment standards—have on tenants participating in the voucher program?

How can you reconcile a freeze in payment standards with your position that tenants will have more opportunities in the voucher program?

Won't tenants pay more?

Ms. Zagame. At this point in time we don't believe that the freeze is substantially going to affect participation in either the voucher program or the certificate program. That is because the CPI has not increased at a very high rate.

Rents have not been rising as rapidly as in the past. There is a huge supply of multi-family housing inventory out there. Interest rates keep going down, which means that more units will be produced and, therefore, we expect that there will be a rather minimal effect on landlords' participation in both the housing voucher and the Section 8 certificate programs.

Mr. Sabo. What if the Administration's tax bill passes?

Ms. Zagame. Well, that is a question that I really don't have the answer to. It is obviously going to have some effect upon the willingness of investors to invest in multi-family housing.

Mr. SABO. Why freeze the standards when it is still in the demonstration phase? It is still in demonstration, isn't it?

Ms. ZAGAME. No. Part of the voucher program is a demonstration program. Approximately 8,000 vouchers are under the demonstration and the remaining 44,000 that were appropriated in fiscal year 1984 and 1985 are tied to the rehabilitation program or as a free-standing program. In addition, those units are combined with the number that we have for this fiscal year, which is about 35,400 under Gramm-Rudman. Most of those are free-standing with the exception of approximately 14,000 which are also under the rehabilitation program.

The question, if I may, to rephrase it, is why are we proposing a freeze when this is a program which we are just getting off the ground. We are proposing it as part of the Administration's efforts to control deficits and to enact some savings for the budget.

SUCCESS RATE OF CERTIFICATE HOLDERS

Mr. SABO. Approximately half the families who receive Section 8 existing certificates are unable to use them. What is the reason for this low success rate?

Mr. DEBARTOLOMEIS. We would have to submit something for the record, sir. I am not aware of that figure.

Perhaps we could look into that and provide you with a better answer.

[The information follows:]

REASONS THAT HALF THE FAMILIES RECEIVING SECTION 8 CERTIFICATES ARE UNABLE TO USE THEM

The data which indicated that half the families receiving certificates were unable to secure suitable accommodations came from a 1979 study. This study was on the start-up years of the program. Data are not available as to the current success rate but we are currently examining this issue. Anecdotically, we know that success rates vary substantially among PHA's and this is one aspect being looked at carefully

Clearly, some families who receive Section 8 Existing Certificates are unable to use them, but eventually all certificates assigned to a Public Housing Authority do get used. Some of the reasons certain families do not use their certificates are:

1. unavailability of unit size to meet family's needs;
2. cost and quality of the family's existing housing compared with Section 8 Existing housing stock;
3. type and quality of assistance provided by the PHA to the family;
4. segregation or discrimination; and
5. the family changed its mind.

IMPACT OF FMRS AND HOUSING SUPPLY ON SUCCESS RATE

Mr. SABO. Also, would you indicate whether it is because fair market rent is too low or whether there is a shortage of decent housing in many markets?

Mr. DEBARTOLOMEIS. That is new information to me. I am unaware of us receiving any certificates back from the PHA with an indication they could not use them.

Mr. SABO. Why don't you supply that and we will have some additional parts of the question for the record.

[The information follows:]

EFFECT OF FAIR MARKET RENTS ON USE OF CERTIFICATES

We have no evidence to indicate that Fair Market Rents have prevented families with certificates from finding suitable housing. Every effort is made in setting FMR's in each housing market so that fully 45 percent of the standard rental stock is available within those rent levels.

In studies conducted thus far, also, no relationship was found between high rates of failure to use certificates and low vacancy rates.

RELATIONSHIP BETWEEN HODAG AND VACANCY RATES

Mr. SABO. Let's talk for a minute about rental housing development grants on page H-1 of the justifications. You indicate that HODAG is an expensive means to house low-income families relative to housing vouchers. You also indicate the national vacancy rates are at their highest rates in years, and a housing stimulus program is unnecessary at this time. This seems to contradict a statement that you made in your fiscal year 1985 justifications.

Have housing vacancy rates changed that much in the past two years?

Mr. DEBARTOLOMEIS. I believe the housing vacancy rates are now at an all-time high. I don't have those figures for you.

Mr. SABO. For the record, provide us with the vacancy rates for the 50 largest SMSAs in 1985 and a current estimate of the same vacancy rates.

Mr. DEBARTOLOMEIS. I'll be glad to do that.

[The information follows:]

Vacancy Rates

Current vacancy data were not available for the 50 largest Standard Metropolitan Statistical Areas (SMSA's). However, the following table displays the 1984 and 1985 vacancy rates for the 25 largest SMSA's. This is the most current and the most readily available information from the Bureau of the Census which was obtained through survey samples.

		Vacancy Rate	
		1984	1985
1.	New York, NY...............	2.2	2.6
2.	Los Angeles-Long Beach, CA...	3.4	3.7
3.	Chicago, IL................	5.4	6.5
4.	Philadelphia, PA-NJ.........	5.6	4.0
5.	Detroit, MI................	5.2	5.4
6.	San Francisco-Oakland, CA....	4.7	3.1
7.	Washington, DC-MD-VA.........	3.4	3.3
8.	Houston, TX................	15.4	18.1
9.	Nassau-Suffolk, NY...........	1.7	2.8
10.	Boston, MA.................	4.9	3.8
11.	St. Louis, MO-IL.............	4.7	5.2
12.	Pittsburgh, PA..............	7.1	7.7
13.	Baltimore, MD...............	7.0	5.2
14.	Dallas, TX.................	7.7	13.9
15.	Anaheim-Santa Ana-Garden Grove, CA..............	2.5	2.9
16.	Minneapolis-St. Paul, MN.....	2.6	3.0
17.	Cleveland, OH...............	6.7	4.8
18.	San Diego, CA...............	2.8	4.4
19.	Newark, NJ.................	3.3	5.0
20.	Atlanta, GA................	5.9	6.4
21.	Miami, FL..................	8.2	9.2
22.	Seattle, Everett, WA.........	4.1	4.7
23.	Denver, CO.................	8.3	7.2
24.	San Bernardino-Riverside-Ontario, CA...............	4.4	8.6
25.	Phoenix, AZ................	10.4	11.7

RELEASE OF FUNDS PROPOSED FOR RESCISSION

Mr. SABO. Are you prepared to re-start this program with the release of the $4.4 billion that was proposed in the rescission? You indicate in your justifications that 72 percent of the projects approved in this program are oriented exclusively to families. Isn't that a much higher rate of family usage than under Section 8 existing or Section 8 vouchers?

Mr. DEBARTOLOMEIS. With regard to the first question we are currently in the process of preparing instructions for the fiscal year 1986 funding cycle. The instructions include a number of administrative changes which are designed to improve program targeting, although, I don't feel that the targeting will go as far as we would like.

We submitted a reapportionment to OMB for that authority.

PUBLIC AND INDIAN HOUSING

Mr. SABO. Let's turn to Public and Indian Housing, and we will talk strictly about public housing questions at this time.

Mr. Baugh, we will put your statement in the record.

[The statement of Mr. Baugh follows:]

STATEMENT OF JAMES E. BAUGH

GENERAL DEPUTY ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

BEFORE THE

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

THE HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 1986

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the Public and Indian Housing budget proposals for 1987.

This Budget reflects a number of fiscal constraints consistent with the government-wide deficit reduction effort. However, it does include necessary funding to complete those development and modernization projects that are in the Public and Indian Housing pipelines. At the same time, we will continue to strive for the following objectives:

- To redeem, preserve and conserve the existing locally-owned and operated dwellings to meet the housing needs of low-income people and to protect the enormous public investment that has been made.
- To ensure that Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) utilize sound financial and program management practices. Insistence on prudence, efficiency and accountability in the use of public funds always has been a legitimate demand. It is even more critical during this time of scarce Federal resources.
- To return Public and Indian Housing to greater local control and responsibility. The history of the programs clearly shows that the Federal Government cannot dictate good housing and no amount of Federal money can guarantee it if the Public Housing Agencies, Indian Housing Authorities, local elected officials or tribal leaders, and the business-civic interests do not accept primary responsibility.

Transcending these specific Public and Indian Housing objectives is the government-wide goal of deregulating and otherwise simplifying program operations. The Public Housing program particularly is an appropriate target for this goal because for nearly 50 years the Federal Government has been over-regulating all PHAs in attempting to correct the problems of the few.

With these objectives in mind, I will now summarize the major Public and Indian Housing proposals included in the 1987 Budget.

PUBLIC AND INDIAN HOUSING FINANCING REFORM

The 1987 Budget again includes a major proposal which would convert the financing of Public and Indian Housing development and modernization activities from a system of long-term amortization of capital expenditures which now involves borrowing from the Treasury to direct appropriations that would allow capital grants to PHAs and IHAs. This proposal would do away with the inefficiency and paperwork of the current system.

A major component of our refinancing proposal--debt forgiveness--already has become a reality. Under the terms of the recently enacted Consolidated Omnibus Budget Reconciliation Act, Treasury borrowings and accrued interest resulting from Public Housing Loan Fund financing operations have been forgiven. The Act also authorizes the forgiveness of the PHA and IHA debt to HUD. In addition, any future Treasury borrowing needed to finance Public and Indian Housing development and modernization activities in the processing pipeline also would be forgiven.

Now that the Congress has enacted debt forgiveness, I hope that prompt consideration will be given to the second part of the Reform Proposal--Capital Grants.

With only one-half of the proposal enacted, we have the following curious procedures:

--When entering into a new commitment, we will have to utilize 20 to 30 years of budget authority;

--The PHAs and IHAs will draw down their loan funds from us when they need it, and

--We will, after each project is completed, forgive the loan, recapture the Budget Authority and then rescind it.

Under this complex process, HUD and the PHAs/IHAs will require twice the budget authority, no outlays will be saved and needless paper processing expenses will be incurred.

The Capital Grant proposed method of financing would solve this problem without adversely affecting the operation of PHAs or IHAs or affecting future program levels. I recommend it to you as the logical next step in the process.

PUBLIC AND INDIAN HOUSING DEVELOPMENT AND MODERNIZATION

The 1987 Budget proposes that no funding be provided for new approvals to develop additional Public or Indian Housing units. However, Public and Indian Housing units with funding reserved prior to 1987 will continue to be developed until completed. We expect that 15,000 Public Housing units and 2,800 Indian Housing units will be completed in 1987 and placed under management. This is based on an estimated 25,711 Public Housing units and 8,820 Indian Housing units in the pre-construction and construction pipelines at the start of 1987.

The Budget also includes $58.9 million of capital cost funding to be provided in 1987 for amending Public and Indian Housing contracts in order to complete the viable development projects remaining in the Public and Indian Housing pipelines. This assistance will allow for cost increases that have occurred since the time of fund reservation, correction of design and construction deficiencies, and the provision of Indian Housing off-site water and sewer facilities where necessary.

We are requesting $225 million of capital cost funding for the Modernization program in 1987 in order to be able to respond to emergency health and safety needs in that year. The long-range budget estimates assume the resumption of full funding for the Modernization program in 1988 at a $761 million capital cost level.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

We are requesting an appropriation of $1,171.5 million for 1987 to provide Operating Subsidies in support of the operation of dwellings owned by Public Housing Agencies and Indian Housing Authorities. Since $61.3 million currently is estimated to be carried over to 1987 from 1986, a total of $1,232.8 million is expected to be available for obligation in 1987. The estimate of 1987 requirements is based primarily on the use of the Performance Funding System formula for calculating operating subsidy requirements.

The 1987 estimate assumes that no increase in funding will be provided to PHAs or IHAs in 1987 for their non-utility expenses. It also reflects a $52.1 million reduction in the amount of 1986 carryover available for 1987 as a result of sequestration pursuant to the Gramm-Rudman-Hollings Act. Other factors affecting the operating subsidy calculation are changes in utility costs and consumption, enacted legislation which will result in increased rental income on one hand and tenant rebates on the other, and the expected cost of implementing the vacancy rule.

SALARIES AND EXPENSES

The Department's Salaries and Expenses appropriation request for 1987 includes funds for the administrative costs of the Public and Indian Housing programs. This will fund 1,028 Full-Time Permanent positions needed to conduct Public and Indian Housing programs in 1987. It is the same level currently estimated for 1986.

Also included within the Salaries and Expenses request is $1,550,000 for contractual assistance to troubled PHAs and IHAs. These funds are needed to provide for private management of severely troubled PHAs, to conduct management or specific functional analyses of troubled PHAs, to assist troubled IHAs, and/or to provide on-site implementation of corrective actions to PHAs and IHAs. This type of management assistance requires the availability of special expertise in complex and highly technical areas such as engineering and utilities, financial management and controls, and security. Improvements achieved with the contract assistance should produce substantial savings to the Department in terms of more efficient and economical PHA and IHA operations in the future.

Mr. Chairman, this concludes my opening remarks. I will be happy to answer any questions that you or members of the Subcommittee may have.

DR. JAMES E. BAUGH

General Deputy Assistant Secretary for Public and Indian Housing

In his capacity as the General Deputy Assistant Secretary for Public and Indian Housing, Dr. James E. Baugh is responsible for daily program operations and also directs the Public and Indian Housing programs in the absence of the Assistant Secretary. These programs are designed to help meet the housing needs of low-income people.

Dr. Baugh has served as the General Deputy Assistant Secretary for Public and Indian Housing since December 1983. From May 1983 until his current appointment, he was Deputy Assistant Secretary for Public and Indian Housing under the Assistant Secretary for Housing—Federal Housing Commissioner. In 1981 and 1982, he served as Executive Assistant to the Deputy Assistant Secretary for Public and Indian Housing and then as Acting Deputy Assistant Secretary in 1982 and 1983 before his appointment as the Deputy Assistant Secretary in May 1983.

Prior to his appointment to HUD in 1981, Dr. Baugh served in the Governor of Wisconsin's Executive Cabinet as Executive Director of the Wisconsin Council of Criminal Justice. In that capacity, he provided oversight for a State planning agency designed to initiate and evaluate programs concerning the upgrading and improving of existing criminal justice systems. While with the council, Dr. Baugh was on academic leave from his position as Senior Planner for Academic Affairs, University of Wisconsin System Administration. Dr. Baugh also served as the Assistant Vice Chancellor for Academic Affairs and Professor of Education at the University of Wisconsin-Oshkosh.

A native of Lima, Ohio, Dr. Baugh received a Bachelor of Science (B.S.) from Western Michigan University in 1964. He later earned both a M.A. Degree (1971), and Ph.D. (1973) from the University of Wisconsin at Madison.

Active in civic and community affairs in Madison, Dr. Baugh served as President of the Police/Fire Commission, Vice President of the Board of Directors of the Urban League, and as a member of the Zoning Appeals Board. He was selected by the United States Jaycees as one of the outstanding young men of America for 1977. In 1981, he received the City of Madison's Martin Luther King Humanitarian Award.

Dr. Baugh is married to the former Veatrice DeWalt of Milwaukee, Wisconsin, and they have two children, Kendyl Chyrese and James Randall.

PUBLIC HOUSING DEVELOPMENT COST GUIDELINES

Mr. **Sabo**. As you know, last year we made an effort to try to deal with some of the problems of public housing new construction. Our concerns stemmed from information provided us by the Council of Large Public Housing Authorities which suggested that we are not seeing new construction of public housing in many large cities in this country because the prototype cost system for public housing simply was outdated.

Ultimately, the conference agreement simply repealed the prototype system for public housing. Now, what action has the Department taken to inform PHAs that prototypes are no longer statutory, and what system has the Department developed to replace the prototypes?

Mr. **Baugh**. First of all, we have prepared a notice that sets forth some cost guidelines which establishes cost limits for projects. Right now, that notice is being reviewed by OMB.

Mr. **Sabo**. How long will it be there?

Mr. **Baugh**. It has been there for a while now, I think.

Mr. **Sabo**. How long?

Mr. **Baugh**. About four weeks.

Mr. **Sabo**. Why do they go to OMB? Is this part of the regulatory review process or is this some other part of the process?

Mr. **Baugh**. In the past, OMB always reviewed the prototype costs. I think that initially we intended to move ahead, but I was advised that the notice had to go to OMB and be reviewed.

Mr. **Sabo**. Is that requirement statutory or administrative?

Mr. **Knapp**. No. I don't think it is under the Executive Order either in this case. There has been a long practice of submitting cost notices. It is not a formal requirement.

Mr. **Kliman**. They require anything we put out that has a budgetary impact be reviewed by them.

Mr. **Sabo**. Okay. Proceed with the answer.

Mr. **Baugh**. Let me tell you what the proposed instructions really indicate. First of all, all the PHAs will have an opportunity to comment on the guidelines and request changes.

The regional administrators will be authorized to approve project cost limits five percent higher than field offices in order to provide greater flexibility.

The total development costs will serve as guidelines and there will be no separate constraint for dwelling construction and equipment costs alone. It also gives the Assistant Secretary for Public and Indian Housing more flexibility and he or she will not be constrained by statutory limits in approving reasonable costs. The Assistant Secretary will look at some of these projects on a case-by-case basis.

Mr. **Sabo**. In 1985, your justifications indicate that 7,714 public housing units were started in 1985 and 8,000 are estimated in 1986. We have asked the same question in the past.

How many of these units have been constructed in the 50 largest SMSAs?

Mr. **Baugh**. Sir, I don't have that information. We would have to make some analysis and supply that for the record.

[The information follows:]

PUBLIC HOUSING CONSTRUCTION STARTS IN 50 LARGEST SMSA'S

There were approximately 58 Public Housing Projects with 4,098 units that started construction in 1985 in the 50 largest SMSA's.

APPORTIONMENT OF 1986 FUNDING

Mr. SABO. I would assume, in fact, I would strongly suggest the Department should begin to release the $4.4 billion held in rescission.

By the way, we don't want to hear that there is a 30-day apportionment period required for those funds because you have already used that 30-day period after the Act was signed last November.

So the point is that the funds should be apportioned and released for public housing and other subsidized housing programs on a proportional basis in the coming days.

Also, I think it is important that the public housing authorities are given direction consistent with the legislation in the 1986 HUD Act dealing with the repeal of prototype costs. In fact, I would like to see a new system developed to replace the prototype cost system forwarded to the Committee by May 30 if you would, and I would hope the system could be implemented quickly.

Are we correct in assuming those funds will be apportioned rather quickly?

Mr. KLIMAN. The OMB has already apportioned the funds. I received the document yesterday.

We are still in discussions as to the exact distribution of the $4.4 billion and we will be getting back to the Committee with a formal proposal on that as soon as we have concluded within the Administration deliberations.

STATUS OF TAX EXEMPT NOTES

Mr. GREEN. Mr. Chairman, while we are discussing that, where do we stand on the question of tax exempt status in public housing notes?

Mr. KLIMAN. Perhaps our General Counsel would like to comment on that one.

Mr. KNAPP. The only ruling that was received from the Internal Revenue Service had to do with the refunding rollovers. As you know, we have retired all of the short-term notes and with the debt forgiveness, they are all off the books now.

Mr. GREEN. I guess that is not realistic with future projects.

Mr. KNAPP. It is and isn't.

Mr. Kliman indicated this morning that new projects will be funded with Treasury borrowing that will be forgiven every year. So there is really no room for long-term notes.

Mr. GREEN. Unless Congress should enact that.

Mr. KNAPP. Yes.

Mr. GREEN. Are you still pursuing a ruling from the IRS?

Mr. KNAPP. I have not been pursuing that.

PROPORTIONAL DISTRIBUTION OF 1986 FUNDING

Mr. SABO. If I could come back to the last question, just so we are clear on the answer and what the question was, the question related not only to the release of the funds but the proportional release of those.

I didn't quite understand the answer.

Mr. KLIMAN. Mr. Chairman, perhaps the General Counsel would like to comment. He is currently looking at it and, as I understand it, there is no requirement for proportional release.

Mr. SABO. I think the Committee would feel very strongly anything other than proportional release is something that would require reprogramming.

Mr. KNAPP. Indeed, I think our assumption is that any implementation plan, since it would reflect the $2.3 billion deferral, would be subject to your review and we will be sending up a reprogramming request.

Mr. SABO. The Committee will feel very strongly that proportional is an appropriate and fair method to go, which means we should not have to see a reprogramming request to change those proportions.

RESTRUCTURING OF VACANT PUBLIC HOUSING UNITS

We also attempted to deal with what we understood was a problem according to the Council of Large Public Housing Authorities, concerning the fact that a number of public housing structures are currently uninhabited owing to the fact many of the units have been occupied by elderly and are not any longer in demand by the elderly and would be useful for large families if these projects could be reconstructed.

It was our understanding the modernization approach would not work with these projects and it would be better to use the development approach. Apparently, HUD does not feel that way.

Why not?

Mr. BAUGH. We feel that these projects which we refer to as obsolete, can be reconfigured and also rehabilitated at low levels utilizing the modernization rules.

We feel that we could very well get the job done if given some discretion with respect to what the cost limits may be now that we do not have the prototypes.

We also feel that, to the extent that our field offices can analyze these projects and come up with innovative kinds of ways to either re-configure units or reduce project density in a cost effective way we can still realize at least the objective that the Committee had in mind.

Mr. SABO. What rules has this Department promulgated in respect to our legislation?

Mr. BAUGH. We have not promulgated any rules at this particular time.

Mr. SABO. What is the potential number of units falling under the kind of category I just discussed?

Mr. BAUGH. We talked about 70,000 units last year. This year it might be 73,000 units.

It is based on a six percent vacancy rate.

Mr. SABO. On public housing for the elderly, are you allowing them to use modernization funds to switch efficiencies to one bedroom?

Mr. **Baugh**. Yes, sir.

RELEASE OF MODERNIZATION FUNDING

Mr. **Sabo**. I know that was a problem at one point. Congress appropriated $1.5 billion for public housing modernization in fiscal year 1986 minus 4.3 percent impact of Gramm-Rudman. The Department has failed to distribute to the PHAs these funds because of proposed rescissions and deferrals.

As we have indicated, the 45 day legislative clock has now expired and I would expect the Department to distribute these funds to the field offices for allocation to the PHAs as soon as possible.

Will you be able to obligate it before the fiscal year is over?

Mr. **Baugh**. We are going to try.

We have already drafted the processing directions and expect to provide them to the field offices shortly and get that money committed.

STATUS OF FISCAL YEAR 1986 PROCESSING NOTICE FOR MODERNIZATION FUNDS

Mr. **Sabo**. When will the fiscal year 1986 processing notice be made available?

Mr. **Baugh**. It is in clearance right now.

Mr. **Sabo**. I don't know what "in clearance" means.

Mr. **Baugh**. It is an in-house term, sir. When we initiate a notice or regulation, it is circulated among our offices for comments, indicating concurrence or non-concurrence.

Mr. **Sabo**. Sounds like in limbo.

Mr. **Baugh**. Sometimes it is in limbo, but it has been in clearance for two-and-a-half weeks.

Mr. **Sabo**. Will it be out within the week?

Mr. **Baugh**. We are going to try, given the fact that we know we are up against some deadlines.

Mr. **Sabo**. Will you let us know?

Mr. **Baugh**. Yes, sir.

[The information follows:]

1986 Modernization Processing Instructions

The Department's 1986 Public Housing Modernization processing instructions were approved on May 2, 1986. Copies have been reproduced and provided to the Field Offices and are expected to be issued to Public Housing Agencies about May 23, 1986 following printing. Separate processing instructions for Indian Housing Modernization were pending approval as of May 7, 1986. They are expected to be issued to Indian Housing Authorities about May 30, 1986 following approval and printing.

MODERNIZATION NEEDS STUDY

Mr. **Sabo**. More than three years ago we authorized a modernization needs study that is being funded through the research and development account. When does the Department expect the nationwide study of public housing modernization needs to be completed?

Mr. **Baugh**. This is a study that is being conducted by PD&R and I would like to defer to Dr. Felder.

Mr. **Felder**. We have completed all of the inspections of more than 1,000 public housing projects containing more than 4,000 units. We have visited each of these.

We expect to have national estimates on the modernization needs approximately in August of this year. We expect to have estimates of field office needs by December of this year.

Mr. **Sabo**. Are there any preliminary estimates of needs?

Mr. **Felder**. No. We are not going to have preliminary estimates because the estimates themselves consist of several parts and, rather than a piecemeal approach, we will give you the whole estimate at one time.

Mr. **Sabo**. Would it be fair to assume the needs estimate when it is made available in September or October, will suggest that there is substantial additional requirements for public housing modernization?

Mr. **Felder**. We have made no prior estimates of what the size of the estimate would be. So, we say substantial.

I don't know what the expectation is. We have made no guesses on how large the numbers will be.

UNEXPENDED MODERNIZATION FUNDS

Mr. **Sabo**. Testimony before the Senate Appropriations Committee stated that under the modernization program there is $2.7 billion "unexpended" modernization funds. Is that accurate?

Mr. **Baugh**. Yes, sir. At this particular time.

Mr. **Sabo**. My question to you is, I don't understand what the issue is. Unexpended funds are those which have normally been obligated and not expended, rather than unobligated funds. There is certainly nothing unusual about having a substantial amount of unexpended funds available.

The Department of Defense has unexpended funds totalling more than $160 billion. They would point out this is normal in the course of business because these funds are obligated for weapons systems and are not immediately outlayed.

Isn't this the same situation occurring in housing modernization?

Mr. **Baugh**. About the $2.7 billion that is unexpended——

Mr. **Sabo**. Is it obligated?

Mr. **Baugh**. Yes. There are two obligation stages. First, we obligate to the housing authorities and second, the housing authorities obligate to the contractors. So some of this money could very well be under contract, but there still remains the money that has not yet been spent. So the program is moving.

Mr. **Green**. When you say "not been spent," can you break down that $2.7 billion between those that have gone into contract at the housing authority level and those that have not gone to contract?

Mr. **Baugh**. I cannot do that for you right here. We will get that information for you. It might be difficult, but we can do it.

[The information follows:]

Unexpended Modernization Loan Authority as of September 30, 1985

The $2.7 billion of loan authority unexpended by Public Housing Agencies (PHA's) and Indian Housing Authorities (IHA's) as of September 30, 1985 is based on funding approved by HUD during the period of 1975-1985. Unexpended funds obligated and unobligated by the PHA's/IHA's as of September 30, 1985 follow:

	Unexpended loan authority (capital costs)
Funds obligated by PHA's/IHA's	$650,366,318
Funds obligated by PHA's/IHA's	2,045,354,260
Total unexpended funds	2,695,720,578

UNEXPENDED AND UNOBLIGATED MODERNIZATION FUNDS AS OF APRIL 1, 1986

Mr. SABO. Would you also make an estimate of unexpended as well as unobligated modernization funds as of April 1st, 1986, not including 1986 funds.

Mr. BAUGH. Yes, sir.

[The information follows:]

UNEXPENDED MODERNIZATION LOAN AUTHORITY AS OF APRIL 1, 1986

Data for the quarter ending March 31, 1986 will not be available until August 1986. However as of December 31, 1985, a total of $2,440 million of modernization loan authority reserved through FY 1985 was unexpended. The unexpended funds obligated and unobligated by the PHA's/IHA's follow:

	Unexpended loan authority (capital costs)
Funds obligated by PHA's/IHA's	$662,814,186
Funds obligated by PHA's/IHA's	1,777,475,845
Total unexpended funds	2,440,290,031

OPERATING SUBSIDY REQUIREMENTS

Mr. SABO. Let's turn to the payment for operation of low income housing projects on page R-1.

You are requesting an appropriation of $1,171,543,000 in fiscal year 1987 for this activity. In addition, you indicate that $61,301,000 in 1986 excess funds, after sequestration, are estimated to be available for use in fiscal year 1987 because resources available in 1986 are expected to be in excess of currently projected funding requirements. This will permit a total obligation level of $1,232,844,000 in 1987.

However, your total funding of that amount appears to be substantially below the performance funding requirements of $1,412,000,000. The Department expects more than half of these savings will result from freezing non-utility expense levels. Is that realistic given the fact that wages are basically negotiated and cannot be frozen? And more critically, are not insurance premiums costing the PHAs substantially more than is assumed in the performance funding system formula?

Mr. BAUGH. Which part do you want me to take first?

Mr. SABO. The whole thing.

Mr. BAUGH. All right.

Mr. SABO. Are you short and are you being realistic?

Mr. BAUGH. In terms of the freeze on increases in non-utility expenses, we think that is a realistic estimate with respect to the $87.2 million reduction expected as a result of not providing for increases in non-utility expenses.

We have not asked for additional operating subsidy to address increasing insurance premiums. Getting back to the non-utility expenses line, as you recall, last year we did propose a freeze that dealt with personnel and related costs which was expected to save $56.1 million.

We think we are realistic with respect to being able to take this action.

PHA INSURANCE PROBLEM

Mr. **Sabo**. What is happening with insurance premiums for public housing authorities?

Mr. **Baugh**. Recent reports show that property coverage has probably increased 400 percent. General liability is up 10 to 20 times if PHA's can even get it.

This is certainly not a phenomenon unique to PHA's. It is a national problem that we all are confronted with.

We do have a number of PHA's in various states forming consortiums where they are going to be self-insured and hire a manager to manage the fund. We have worked very closely with the interest groups and the industry to see if we could come up with some kind of resolution and we are continuing to do that.

In addition to that, as I understand, NAHRO is also looking at solutions to this whole insurance problem and they are talking about a national self-insurance operation.

So it is a very difficult situation we face at this time. We have taken action and provided waivers to insurance coverage for about 76 housing authorities who requested waivers because, in accordance with our ACC contract, under Sections 305(a) and (b), housing authorities are required to have insurance coverage including fire and extended coverage and general liability insurance.

We have granted those waivers and at this particular time those housing authorities are without insurance.

But so far we have not heard anything about any claims or suits being filed and we are probably lucky at this time.

SOURCE OF FUNDING FOR INSURANCE CLAIMS

Mr. **Sabo**. If any of these PHA's that are operating without insurance endure a significant claim, where are the funds to pay for that claim expected to come from? Does the Department intend the PHA's will be responsible for any judgment against them or does the Department plan to compensate PHA's for any such losses?

If the Department will indemnify the PHA's, will operating subsidies be used and does this Committee need to appropriate higher subsidy levels in anticipation of such actions?

Mr. **Baugh**. First of all, at this particular time, we do not have funds to pay the claims. If PHA's who are not formally insured encounter claims, they will have to get the funds from either reserves or other sources.

One of the other things that is happening is that money that would have been spent for premiums is being set aside for claims. Along with that, some of the large PHA's have always set aside money just in case they had large claims filed against them.

Those are the kinds of things I am aware of that are happening at this time. We do not have funds to give to the authorities if indeed claims are filed and they have no other resources to utilize to address the claims.

Mr. SABO. Mr. Stokes.

ROLE OF HUD IN THE 1990'S

Mr. STOKES. Thank you, Mr. Chairman.

Considering that HUD housing assistance funds have now been reduced by 64 percent since 1981, considering the fact the Administration continues to request deep cuts, as well as the termination of whole programs, what role do you envision the Department of Housing and Urban Development to serve in this country for the 1990s and beyond if we continue on the course being set by this Administration?

Mr. DEBARTOLOMEIS. I would say the 1990s and beyond, we would look to see the entire assistance programs are addressed through the housing voucher program. That will be the major subsidy vehicle, for providing affordable rental housing for needy families.

As you may have heard the Secretary talk about earlier today, addressing some spot shortages on a small scale basis, through a very limited production program. So we would look to HUD as the provider for tenant-based subsidies to the needy.

Mr. STOKES. But then on a larger scale sort of phasing out of housing, is that it?

Mr. DEBARTOLOMEIS. We phased out of the production-based housing programs. We found they are just too expensive for us and at the present time we cannot afford it.

Mr. STOKES. When you say "we," you mean the Federal Government?

Mr. DEBARTOLOMEIS. That is correct, sir.

NEED FOR MODERNIZATION

Mr. STOKES. Many of the very large housing authorities throughout the nation have housing stock that was built in the thirties and the forties. Because of this, many of them need a significant increase in modernization funding. This is a threatening situation in almost all major cities in the United States.

In my own city, Cleveland has the oldest housing stock in the nation. Considering this great need, tell us why HUD is choosing to only provide funds for emergency situations in fiscal year 1987.

Mr. DEBARTOLOMEIS. I will defer to Dr. Baugh.

Mr. BAUGH. We remain committed to preserving the existing inventory of public housing. We are faced with a Government-wide deficit reduction effort and, as a result of that, we have got finite budgets and we have to make decisions as to what we will do with the available money.

From 1981 to 1986, we have provided approximately $4.9 billion in capital costs to modernize the existing inventory. In addition to that, as we alluded to earlier, there is currently $2.7 billion that is collectively held by the authorities and that is available to finance modernization. Some of that money is being used in your city, Cleveland. At this particular time, we think that the $225 million that we have requested for emergency repairs for 1987 is sufficient. In 1988 we are scheduled to go back to traditional funding levels of $761 million of capital costs.

Mr. STOKES. Is this the same rationale for proposing rescinding all the modernization funds for 1986?

Mr. BAUGH. Yes. That is based on the same amount, $225 million, for emergency repairs.

HOUSING MODERNIZATION STUDY

Mr. STOKES. What is the status of the housing modernization study that Congress asked HUD to conduct? What is your current estimated time of completion of that study?

Mr. BAUGH. PD&R is conducting that study and I will defer to Dr. Felder.

Mr. STOKES. Dr. Felder.

Mr. FELDER. Yes. We expect to have completed estimates by December of this year.

Mr. STOKES. Do you have any preliminary information relative to the study that you can share with us at this time?

Mr. FELDER. No preliminary information. We have collected all of the estimates. We are constructing cost files and the earliest we will have any information on the national estimates will be August; we will have national estimates. By December we will have estimates by field offices.

TIMETABLE FOR LEAD BASED PAINT REGULATIONS

Mr. STOKES. A U.S. District Court judge has charged that the Department of Housing and Urban Development has unnecessarily delayed the enforcement of a law designed to protect children from lead-based paint dangers in a lawsuit that was filed by tenants in southwest Washington D.C., when a child was hospitalized with lead poisoning.

I understand the judge has set an August deadline for HUD to comply with this order. Since lead poisoning is a serious problem that kills about 200 children a year, causes illness in 10,000 others, most of which are poor, tell us what steps HUD has taken to address this critical problem.

Mr. KNAPP. I will answer that question. In accordance with the schedule that the judge here in the District of Columbia set down, we did publish a proposed rule for lead-based paint hazard elimination in public housing a little over two months ago.

The public comment period on it expired last week. We are committed under the schedule to having published a final rule by, I believe it is, August first of this year. The proposed rule has been published and has been commented on by Public Housing Authorities.

Mr. STOKES. I had some information where HUD has stated it could not issue these rules until 1987 specifying a five-year period.

Mr. KNAPP. No. That is not correct. The public housing final rule will be published this year. In some other programs where the judge has also laid down a schedule, like single-family housing and multi-family assisted housing, the schedule calls for proposed rules being published this summer, I think either July or August, and final rules early next year.

But in public housing which is the program that was involved in the case here in the District of Columbia, the final rule is to be published by August of this year.

Mr. **Stokes**. You will be complying with that.

Mr. **Knapp**. Yes.

Mr. **Stokes**. Thank you.

ENERGY COSTS BY SOURCE

Mr. **Green**. Why don't we return to the operating side of public housing? What percentage of total energy costs in public housing are from oil, gas, electric, sewer, et cetera?

What did the Department use as its rate of change for each of these utilities in the 1987 request, and what could the difference in subsidy needs be using the most recent energy projections?

Mr. **Baugh**. We will have to submit that for the record.

[The information follows:]

PUBLIC AND INDIAN HOUSING UTILITY COSTS

The distribution of total utility costs in Public and Indian Housing follows:

Utility:	*Percent*
Oil	17
Gas	33
Electricity	38
Sewer and water	12
Total	100

HUD used the Department of Energy/Energy Information Administration Short-Term Energy Outlook quarterly projections to estimate the utility rate change from 1985 to 1986. The projection reflected increases of 3.3 percent for gas, 3 percent for electricity, sewer and water, and 2.7 percent for oil. The weighted average of these projections was an overall estimated increase of 3.1 percent. The projected increase of 3.63 percent from 1986 to 1987 was provided to HUD by OMB. Data currently are being received from PHAs/IHAs and the Department will be reviewing the projections of utility rate increases over the next few months. The Committee will be advised, as usual, when the revised information is available.

REVISED OPERATING SUBSIDY COST ESTIMATES

Mr. **Kliman**. One answer to the question, Congressman, we will not be in a position yet to determine to any degree estimates based on utilities or other costs for at least another month or so. We will be looking at this routinely.

Frankly, I expect the utility estimates to come out a little lower than were estimated in the budget.

EFFECT OF WAGE AGREEMENTS ON THE PERFORMANCE FUNDING SYSTEM

Mr. **Green**. Let me ask this. Many housing authorities have bargaining agreements with unions. They are on a multi-year basis and typically they would call for some increment year for year. How do you deal with that when you call for a freeze?

Mr. **Baugh**. Tom, would you like to address that?

Mr. **Sherman**. The performance funding system, by formula, allocates a certain amount of money to the housing authorities. If we reduce that, then the housing authorities will have that much less to pay for all of their needs. If they elected to continue paying for those collective bargaining agreements, then something else might well suffer.

Mr. **Green**. But according to the performance funding system, you are well below it because you are assuming out that part of the performance funding system which would reflect those higher costs.

Mr. **Sherman**. That is true. What I am saying is something in the budget would suffer one way or another.

Mr. **Green**. Okay.

Mr. **Sabo**. For the past three years——

Mrs. **Boggs**. Mr. Chairman, excuse me. I missed an opportunity to ask a question.

RECAPTURE OF PUBLIC HOUSING RESERVATIONS

Mr. **Sabo**. Let me finish one question and then I will yield. For the past three years the Congress has appropriated funds for about 5,000 units of public housing annually. Have any of these units been turned back and for what reason?

Mr. **Baugh**. To my knowledge, none of those units have been turned back.

Mr. **Sabo**. What is the Department's estimate of how many of the 5,000 units reserved in fiscal year 1985 will eventually get built? All 5,000?

Mr. **Baugh**. The majority of them, 99 percent.

Mr. **Sabo**. That is substantially different than majority.

Mr. **Baugh**. Let's say 99 percent of them based on what I know at this particular time.

Mr. **Sabo**. Mrs. Boggs.

RECAPTURE OF FISHER PROJECT MODERNIZATION FUNDING

Mrs. **Boggs**. Excuse me, Mr. Chairman, for interrupting you, but I had to go to vote and I wanted a follow-up question on the questioning that went on just before then.

Mr. Baugh, it is about the CIAP program, the modernization program. I am a little concerned about some of the rigor which HUD is showing in its efforts to recapture the modernization monies. The Housing Authority of New Orleans has been informed that HUD intends to recapture $6 million in modernization monies designated for the Fisher project.

It is a high rise project that has well documented and crying needs. Apparently for reasons relating to differences between the city engineer and the housing authority, it was not possible to obligate the funds by the December 31 deadline.

You know we have done a good job in our area. I was just looking at a special edition of the hand newsletter about modernization of all the different projects in the area.

New Orleans is listed as a troubled housing authority by HUD. According to its director, major efforts have resulted in the Housing Authority of New Orleans (HANO) approaching the point of being able to go off of that troubled list but loss of this modernization money would throw the housing authority right back into the troubled category.

So why should we recapture the funds at this kind of cost?

Mr. BAUGH. The policy that we had in place required that all funds for modernization from 1982 and prior years that had not been obligated would be targetted for recapture.

The whole process of moving modernization money is that we give PHA's a three-year period to get the work going. At the end of five years all that money should have been spent and the project completed.

In this particular case, we took recommendations from our regional administrators. Extensions could be granted if indeed there were delays justified by HUD, or if there was litigation or if we had given prior approval that they could take longer than the time frame I just stated. We relied on the recommendation of the regional administrator as to whether or not to grant an extension or whether to recapture the funds.

In the New Orleans case, I would have to go back and look and see what justifications were put forth by our regional administrator.

Mrs. BOGGS. It is really unfair to bring up parochial interest at the hearings except that it is an opportunity for us to point out to you some of the difficulties that ensue at the local level and particularly in situations such as this.

The housing authority could have met its deadline except there was some difficulty between the city engineer and the housing authority on how to proceed with certain elements of the modernization.

So they requested an extension because of this difficulty and they didn't receive concurrence from Washington. They have now appealed the decision and I would just hope some sympathetic consideration could be given to the case because the Fisher project really has an urgent need for modernization.

The Housing Authority of New Orleans has done a very good job of modernization in so many of the projects. Fisher is a high rise, as you know, and it has had terrible trouble with its elevators.

That is one of the problems that was somewhat corrected. I have been in there when elderly people had a terrible time getting down the stairs. I know all of these housing projects fairly well and if there is any project that needs the modernization funds it is the Fisher project.

Mr. BAUGH. I am very familiar with the New Orleans housing authority, and particularly Fisher, and I am glad you said they have appealed. I was going to indicate to you they could appeal and based on some light that you have shed today on what actually happened, I can assure you that I will go back and do a thorough review and take into consideration what you have stated here today.

Mrs. BOGGS. Thank you very, very much, Mr. Baugh.

Thank you, Mr. Chairman.

INDIAN HOUSING RECAPTURES

Mr. SABO. Let's talk about the Indian Housing Program. We talked a little bit about it this morning also. On page Q-3, in the recapture table, you indicate 179 Indian housing units and $42.7 million were recaptured in 1985. How long were these units under contract prior to being recaptured?

Mr. BAUGH. I think that number refers to normal fallout. John Meyers, who is the director of the Office of Indian Housing is here and he can explain the detail.

Mr. MEYERS. Those are the direct result of fallout. They are not necessarily total projects. They are residual units. Perhaps they were reserved in groups of, say, 20 and there were only 19 sites. So it is kind of a residual that is collected each year as normal fallout.

Mr. SABO. What would be the longest amount and the shortest amount of time between reservation recapture?

Mr. BAUGH. Two years.

Mr. SABO. Two years?

Mr. BAUGH. Yes, based on the policy that was set forth on March 18, 1985 that there should be a development plan within a year of reservation and then, within a year from that particular time, projects should go to construction.

Mr. SABO. Is that the same as for regular public housing?

Mr. BAUGH. No. With regular public housing it is 21 months.

INDIAN HOUSING PIPELINE

Mr. SABO. There were nearly 12,000 Indian Housing units at the beginning of fiscal year 1986 that were in a pipeline between reservation and construction completion. On the average, how long does it take from the time an appropriation is made for an Indian housing unit and the time that unit of housing is actually occupied?

Mr. MEYERS. That average is down to 36 months.

Mr. SABO. Thirty-six months. The average Indian Housing total development cost was $54,270 per unit for reservation made in 1984. What was the total development cost per unit for 1985?

Mr. MEYERS. $58,070.

INDIAN PROJECTS CLOSED OUT IN 1985 AND 1986

Mr. SABO. There were a total of 178 Indian Housing projects closed out in fiscal year 1984. The Department planned that 322 Indian Housing projects would be closed out in 1985, but acknowledged that goal would probably not be reached.

How many Indian Housing projects were closed out in 1985?

Mr. BAUGH. I will have to defer to John Meyers, if you have those numbers, John.

Mr. MEYERS. I believe it was 266 projects.

Mr. SABO. How many units did that represent?

Mr. MEYERS. 3,418 units.

Mr. SABO. How many Indian projects do you estimate will be closed out in 1986?

Mr. MEYERS. I would say there would be an equal number of projects.

Mr. SABO. And units?

Mr. **Meyers**. A few more, probably close to 3,500 units.

CONTRACT TO REVIEW TROUBLED PHA'S AND IHA'S

Mr. **Sabo**. You requested $1,550,000 in 1986 to let a contract to conduct management or specific functional reviews of troubled PHAs to assist troubled IHAs and/or provide on site implementation of corrective action to public housing authorities or IHAs.

Has or will that contract be let?

Mr. **Baugh**. That amount of money has been reduced to approximately $1.3 million but the money has not been obligated. We have drafted RFP's that are being reviewed at this particular time.

Mr. **Kliman**. Mr. Chairman, we have a temporary hold on that $1.3 million. Given Chairman Boland's letter to us to hold $9 million of "other objects" back from commitment this year, we have had to hold back that $1.3 million for the moment as part of that nine million.

FINANCIALLY TROUBLED IHA'S

Mr. **Sabo**. There were 51 of the 165 Indian Housing Authorities classified as financially troubled at the end of 1983. How many were classified as financially troubled at the end of 1985?

Mr. **Baugh**. That number is 53.

EXCESSIVE TENANT ACCOUNTS RECEIVABLE

Mr. **Sabo**. Last year HUD indicated 100 Indian Housing Authorities had excessive tenant accounts receivable at the end of fiscal year 1984. How many Indian Housing Authorities had excessive tenant accounts receivable at the end of fiscal year 1985?

Mr. **Baugh**. That number is 108.

Mr. **Sabo**. Why are there eight more in trouble?

Mr. **Meyers**. There were a number of housing authorities which objected to the 30 percent of income rule and actually went on rent strike, but we feel this year we have got the growing Tenant Accounts Receivable (TARS) situation under control. Although the dollar amount is up, we have cut the rate of growth.

Last year the increase in TARS was over 13 percent and this year it is about 10 percent actual growth. Although the number of housing authorities that had excessive TARS increased, we had an actual reduction in overall growth.

Mr. **Baugh**. I might add that data for the first quarter of fiscal year 1986 would indicate that the number of IHAs in which TARS exceed the monthly charges has decreased from 108 to 105. That is an indicator of some progress and stabilization.

AMOUNT OF RENTS OUTSTANDING

Mr. **Sabo**. The total dollar amount of rents outstanding at the end of fiscal year 1983 for all Indian Housing Authorities was $9,795,695. That amount increased to $11,110,900 at the end of 1984. What was the dollar amount of rents outstanding at the end of fiscal year 1985?

Mr. **Baugh**. It was $12.7 million.

Mr. **Sabo**. Why the increase there? That is over a ten percent increase.

Mr. **Meyers**. I would reiterate my previous answer.

Mr. **Sabo**. In relation to rent strikes?

Mr. **Meyers**. Yes, sir.

Mr. **Sabo**. As of April 1st, 1985, HUD indicated ten administrative loans made to six public housing authorities were outstanding with a combined balance of $11,883,352. Has any of the $11,883,352 in outstanding administrative loans been collected?

Mr. **Baugh**. Yes, sir.

Mr. **Sabo**. You can provide the details for the record if you wish.

Mr. **Baugh**. I do have the answer.

The number of PHAs is still the same. It is six. But as of April 1, 1986 the amount of money was $9.1 million.

Mr. **Sabo**. It is down by $2.7 million.

Mr. Stokes.

Mr. **Stokes**. No questions at this time, Mr. Chairman.

Mrs. **Boggs**. No questions.

SECTION 235 HOMEOWNERSHIP ASSISTANCE

Mr. **Sabo**. Turn to the Section 235 Homeownership Assistance Program, page F–1.

No appropriation is requested for this program in fiscal year 1987. The 1987 budget proposes to rescind recaptured Section 235 funds in the restructured program.

How much budget authority and how much annual contract authority in the restructured program do you estimate would be rescinded under your proposal in 1987?

Mr. **Kliman**. I will have to supply that for the record, Mr. Chairman.

[The information follows:]

Estimate of Contract Authority and Budget Authority To Be Rescinded in the Section 235 Restructured Program in 1987

The 1987 Budget assumed a $20 million budget authority rescission in 1986. No assumption was made on rescission of Section 235 funds in 1987.

SECTION 235 AMENDMENT NEEDS

Mr. **Sabo**. Do you estimate there will be a need for amendment funds in the restructured Section 235 program after 1986?

Mr. **DeBartolomeis**. The information I have is that we have $1,200,000 left over in the reserves for interest rate differentials and potential falling incomes of the 235 mortgagors. I think we have an adequate amount of funds.

Mr. **Sabo**. The Legislative Act for the restructured Section 235 program authorized a revolving fund for the purpose of extending assistance beyond the ten year term of the assistance contracts. Recaptures were to be deposited in such a revolving fund.

Why should not recaptured in the restructured Section 235 program be deposited in the revolving fund instead of rescinded?

Mr. **DeBartolomeis**. I will defer to Jim Nistler.

Mr. **Nistler**. It is a revolving account. As they get to the ten years, we use that money to keep funding them out. Otherwise, you would have to foreclose.

Mr. **Kliman**. It would take a positive action by the Congress to rescind those funds. They were made specifically available in last year's appropriation act with a provision to override all of the recapture rescission rules. The Administration submitted appropriation language to knock out that particular override.

This Committee has not seen fit at least so far, to provide that language. Therefore, recaptured funds will go into the special fund.

Mr. **Sabo**. Individuals will get assisted then after the ten-year period.

Mr. **Kliman**. I cannot speak to what is going to happen ten years from now, Mr. Chairman. I presume so.

UNITS ELIGIBLE FOR PAYMENTS

Mr. **Sabo**. Last year you estimated the number of units eligible for payments at the end of the year in the Section 8 program would be 2,058,000 in 1985 and 2,232,000 in 1986. The actual number of Section 8 units eligible for payment at the end of 1985 was 47,694 less than estimated.

The current 1986 estimate is 105,000 less than estimated last year for 1986. What do you believe to be the major reasons or reason why there were fewer units eligible for payment in 1985 Section 8 program than estimated last year?

Mr. **Kliman**. Mr. Chairman, basically there were fewer units completed, therefore, you make fewer payments to them. Why there were fewer units completed, I will have to ask the Assistant Secretary for Housing.

[The information follows:]

Section 8 Unit Completions

The primary reason for fewer Section 8 unit completions during 1985 is that fewer Rent Supplement and Rental Assistance Payments (RAP) units converted to Section 8 than were estimated. We expected a total of 41,900 to convert, but only 19,800 actually completed the conversion process. We expect to convert the remaining units during 1986. In addition, other existing Section 8 units and vouchers were not constructed on the schedule expected. For example, we anticipated that 17,500 vouchers would come under payment in 1985 and another 41,000 would be under payment in 1986. However, only 11,063 vouchers came under payment in 1985 and, based on the latest program trends, our estimate was revised and only 14,500 completions are expected in 1986. New construction also lagged behind previous estimates. It had been anticipated that completions would reach 34,500 in 1985. But, construction lags were longer than expected, and only 12,639 units of new construction/substantial rehabilitation were completed.

VOUCHER UNITS ELIGIBLE FOR PAYMENT

Mr. **Sabo**. How many voucher units were eligible for payment at the end of fiscal year 1985?

Mr. **Kliman**. I suspect at the end of fiscal year 1985 it was approximately zero. We will have substantially more eligible by the end of 1986. We have approximately 4,000 right now.

MORTGAGE AND LOAN INSURANCE PROGRAMS

Mr. **Sabo**. Let's turn to the Mortgage and Loan Insurance Programs. The 1987 budget requests a limitation of $50.9 billion on FHA mortgage commitments, a limitation of $73,800,000 on loan obligations in the temporary mortgage assistance payments program, an appropriation of $272,955,000 for unrestored losses to the FHA fund during 1984, and language authorizing funds in such sums as may be necessary in order to pay claims.

ADEQUACY OF FHA CREDIT LIMITATION

The 1986 limitation on FHA mortgage commitments is $57,420,000,000. We understand that limitation will be reached shortly. How do you now stand against the $57.4 billion FHA mortgage commitment limitation? Are you at it yet?

Ms. **Zagame**. As of the end of March we had used up $40.5 billion of the $57.4 billion. The March rate was at $11.5 billion. Just to give you a comparison, at this point last year we had used up $19.3 billion.

Mr. **Sabo**. When do you estimate the limitation will be reached? May sometime?

Mr. **Kliman**. Mid-May.

Mr. **Sabo**. Have the HUD field offices stopped processing FHA applications?

Ms. **Zagame**. No. They are continuing to process.

CURRENT RATE OF SINGLE-FAMILY APPLICATIONS

Mr. **Sabo**. The budget estimates 900,000 home application in 1986. What is the current rate on an annual basis?

Ms. **Zagame**. On an annual basis, we are at 2.4 million. That is an annual rate, and it is growing.

Mr. **DeBartolomeis**. That will yield somewhere around two million applications for mortgage insurance this year.

INCREASE IN FHA AND GNMA CREDIT LIMITATIONS

Mr. **Sabo**. The House considered a bill on Monday to increase the FHA and the GNMA limitations. As I understand, a supplemental to increase the 1986 FHA limitations has been requested of OMB. What was the amount of the increase in the 1986 FHA limitation you requested?

Mr. **Kliman**. We requested of OMB an increase to $95 billion.

Mr. **Sabo**. Did your request to OMB assume any changes in the program?

Mr. **Kliman**. No, sir.

Mr. **Sabo**. Based on your most recent data, what do you estimate the FHA limitation should be raised to if the FHA program is to continue through 1986 without any programmatic changes?

Mr. **Kliman**. Before the Fed lowered the discount rate a straight line estimate based on the March figure would come out to $110 billion. I have no idea what the latest Fed action will do to it.

Mr. **DeBartolomeis**. There is also some indication that the mortgage market will not be able to address that high a volume. There will come a point when the system will break down from the lending side. They are as strapped as we are with regard to backlogs and there may come a point beyond which they will not be able to issue those mortgages and to refinance.

ESTIMATED MORTGAGE INSURANCE ACTIVITY IN 1987

Mr. SABO. What about 1987?

I think your request is $50.9 billion. What should it be now?

Mr. KLIMAN. We are currently studying that with housing. There is a problem. We have been unable to predict one month into the future with this rather unusual economic situation and we are working now trying to develop a prediction for next year.

I am just not sure what it is going to be yet.

Mr. SABO. What is the problem at the higher number? There is no problem if we have a higher number and you don't reach it, is there?

Mr. KLIMAN. No, sir.

STAFF RESOURCES FOR FHA

Mr. SABO. The Committee has included $15,066,000 in the 1986 supplemental appropriations bill for additional staff to handle the increase of the FHA workload. Did HUD request additional resources from OMB to handle this increased FHA workload?

Mr. KLIMAN. Yes, sir.

Mr. SABO. How much money and how many staff years were requested?

Mr. KLIMAN. It would be $15 million and approximately 424 staff years, if I recall the number correctly.

PROCESSING TIMES FOR FHA-INSURED MORTGAGES

Mr. SABO. What is the processing time for FHA application currently?

Mr. NISTLER. About 45 days.

Mr. DEBARTOLOMEIS. In the Direct Endorsement program?

Mr. NISTLER. From our side.

Mr. DEBARTOLOMEIS. Do we have any indication of processing time in the Direct Endorsement program?

Mr. NISTLER. HUD processing takes longer than Direct Endorsement.

Mr. SABO. What would you consider to be the standard processing time?

LACK OF QUALIFIED APPRAISERS

Mr. NISTLER. The problem with the processing is just the plain lack of appraisers at the present time. That is the real backlog.

If we had the appraisals in the system we could process them. The appraisals are what really are contributing to the backlog.

Mr. SABO. Have you taken any steps to help field offices speed up that process?

Mr. NISTLER. Yes. We have asked them twice just recently to expand the panels and to get more qualified appraisers on the panel so we can handle them.

Mr. SABO. Is HUD hiring any additional staff?

Mr. **Nistler**. No. The appraisals have been the mortgagee's responsibility for some time.

ADDITIONAL RESOURCES NEEDED FOR 1987

Mr. **Sabo**. Based on the current FHA workload projections, and assuming no program changes, what additional resources, both funds and staff years, need to be added to the 1987 staffing request?

Mr. **Kliman**. That is a number which we are working on right now. We don't know the answer to that question yet, but we will provide a number for the record.

[The information follows:]

Additional Credit and Staff Needs for 1987

Based on the current activity, we estimate that single family fiscal year 1987 applications could go as high as 1.8 million applications or a 1.2 million increase over the Budget estimate. Multifamily activity could increase to a level of 125,000 units which would be an increase of 41,200 over the Budget estimate. Should that be the case, the FHA mortgage commitment limitation would have to be increased from $50.9 billion to $97.0 billion. Similarly, the GNMA limitation would have to be increased from $68.2 billion to $152.5 billion.

Should that level of activity materialize, we estimate that 1,135 additional staff-years would be required. This would include 873 additional staff-years for Housing development activity, 5 staff-years for GNMA activity, 193 staff-years related to increased accounting requirements, 13 staff-years for data processing and 51 staff-years for Field support activity.

If the program changes proposed for 1987 are implemented effective October 1, 1986, the total demand for FHA and GNMA commitment authority is expected to decline. Total single family applications would decline to 1.2 million units while multifamily applications would remain the same at 125,000 units. FHA mortgage commitments authority would amount to $69.3 billion or an increase of $18.4 billion above the current 1987 Budget request. GNMA commitment authority would amount to $135.3 billion.

Staffing requirements would be reduced to 779 staff-years at the lower level based on Housing Field staff requirements of 638 staff-years, an increase in GNMA requirements of 5 staff-years, and an increase in Administration requirements of 136 staff-years.

These estimates are subject to continuous review as conditions in the mortgage market warrant.

FHA PRIVATIZATION STUDY

Mr. **Sabo**. Late last year the Administration tentatively proposed to sell the Federal Housing Administration to private investors by 1990. Then the proposal was withdrawn. On page J-3, under Privatization Initiative, the legend indicates the Department is undertaking a study of mortgage insurance programs to distinguish functions which may be more effectively performed by the private sector from those which maybe required continued Federal participation.

Has the study begun?

Mr. **DeBartolomeis**. Yes.

Mr. **Sabo**. By contractor or how?

Mr. **DeBartolomeis**. It will be done in-house.

Mr. Knapp is the chairman of the study group.

PROFIT MAKING MORTGAGE INSURANCE PROGRAMS

Mr. **Sabo**. What parts of the FHA, if any, make a profit?

Mr. **Kliman**. The Mutual Mortgage Insurance Fund is profit-making.

Mr. **Sabo**. How much of a profit?

Mr. **Kliman**. I don't have the figures in front of me. I will supply the number for the record.

Also, the Cooperative Management Insurance Fund makes a small profit.

[The information follows:]

Amount of FHA Profit

Net profit from 1985 operations, prior to distributions of dividends, amounted to $9.4 million for the Federal Housing Administration Fund as a whole. Included are net income realized by the Mutual Mortgage Insurance Fund in the amount of $161.9 million and by the Cooperative Management Housing Insurance Fund in the amount of $746 thousand; these profits were partially offset by net losses sustained by the General Insurance and Special Risk Insurance Funds in the amount of $44.4 million and $108.9 million, respectively.

SALEABILITY OF HIGH RISK PROGRAMS

Mr. **Sabo**. How could parts of the FHA that are not making profit be sold?

Mr. **DeBartolomeis**. That is something we will report back to you in early 1987 if that is the case. Maybe I should re-state that and say at this point we do not know.

That is something we will study. Whether or not portions could or should be sold will be indicated in the study that we will present to Congress early in 1987.

FHA LEGISLATIVE CHANGES

Mr. **Sabo**. As I understand it, the FHA will currently issue mortgage insurance for more than 100 percent of the value of homes being purchased. This is accomplished by allowing mortgage insurance premiums and closing costs to be added to the amount of the mortgage finance.

The legend on page J-2 indicates the Department will propose regulations prohibiting financing of closing costs. Has the Department published such a proposed regulation?

Mr. **DeBartolomeis**. No. We are asking for legislative changes.

Mr. **Sabo**. That would require a legislative change, not a regulation?

Mr. **DeBartolomeis**. We are asking for a legislative change.

Mr. **Knapp**. A legislative change that has been requested in regard to the up-front financing of the mortgage insurance premium. That would require for that to be paid in cash, would require a legislative change.

Closing costs, no. That is non-legislative, but I think we have said we will defer making that change until there is an approval as to the mortgage insurance premiums.

CLOSING COSTS UNDER FHA PROGRAMS

Mr. **Sabo**. So you are going to wait. What is the average closing cost on a FHA insured mortgage?

Mr. **DeBartolomeis**. The average is currently $4,500 for a medium priced home of about $58,000.

Ms. **Zagame**. That $4,500 would be total cash, including $1,300 representing traditional closing costs on a median priced house. The total also includes points, prepaid items and other things.

Mr. **Sabo**. If closing costs are not financed, will most FHA insured mortgages not exceed the value of the home?

Mr. **DeBartolomeis**. Yes. That is correct.

DIRECT ENDORSEMENT PROGRAMS

Mr. **Sabo**. The direct endorsement program has helped HUD handle the greatly increased FHA mortgage workload. What percentage of the FHA single-family insured mortgage business is done under the direct endorsement program?

Ms. **Zagame**. Currently about 85 percent.

Mr. **Kliman**. That is the rate as of right now. The total rate for the year will be somewhat less, because we started out lower. But that is the rate as of today.

QUALITY OF UNDERWRITING

Mr. **Sabo**. How do you all oversee lender activity, oversee underwriting quality?

Mr. **DeBartolomeis**. Our experience showed the direct endorsement is more safe from an overall standpoint. We have had fewer claims and higher success rates in the direct endorsement program.

Mr. **Nistler**. Our rate shows that eight out of nine times the underwriting is better than ours, but typically we get the cases that they would not normally take. We also review anywhere from 25 to 75 percent of those cases, but normally a minimum of 25 of those cases.

MONITORING OF UNDERWRITING

Mr. **Sabo**. How many employees are assigned to the monitoring?

Mr. **Nistler**. Each different office would have their underwriting staff. I can't give you that number today.

Mr. **DeBartolomeis**. We can supply that for the record.

[The information follows:]

Number of Employees Assigned to Monitoring

An employee would not be assigned to this workload item exclusively, but rather post endorsement reviews and monitoring would be one of several functions a single-family staff person would perform. There were 402.8 staff-years allocated for this purpose in Fiscal Year 1986. This was based on a 900 thousand unit application level while we currently are projecting activity in excess of 2 million units. Some portion of the increase has been handled by fee panel reviewers with the rest being handled by staff that has been reassigned from other program areas.

WORKLOAD AND PROCESSING BACKLOGS

Mr. **Sabo**. Are there any bottlenecks in the direct endorsement program?

Mr. **DeBartolomeis**. The major bottlenecks in the direct endorsement program are, once the applications come in we assign appraisers as we have indicated before. There is a backlog in appraisers completing their work. Once their work has been completed we also have a backlog in processing that information into our system so we have an indication of what mortgages have been issued.

I know Judith Tardy has worked very hard to help us process and invest premium collections using few personnel, but more importantly, we have a lock box to see that those funds are invested even though there may be some backlogs. We do not want to waste any funds and we want to get the most out of our money.

HUD REVIEW OF APPRAISALS

Mr. **Sabo**. As I understand it, HUD permits fee appraisers to review appraisals done by other individuals on a fee basis. Is that accurate?

Mr. **DeBartolomeis**. I have indications that that is in fact happening. We are currently looking at that practice and, quite frankly, I do not approve of that. We are working on guidelines to revise the procedures.

Mr. **Nistler**. Probably 98 percent of the review appraisers are all ex-HUD people. So there is that execution there, but we are making sure one person couldn't review their own appraisal.

Mr. **Sabo**. Why shouldn't it just be HUD employees reviewing fee appraisers?

Ms. **Zagame**. One of the problems we have, and it is a very serious problem, is that appraisers can make a whole lot more money in the private sector than they can working for HUD. Now, I understand that some appraisers can make over $200 per case if the home is valued over $100,000. They simply can't make that kind of money working at a GS-9 salary for the Government.

Right now there is a huge demand for appraisers due to increased business from the drop in interest rates. All these appraisers are going into the private sector so we are losing a lot of our appraisers.

FEES FOR PRIVATE APPRAISERS

Mr. **Sabo**. How much is spent for fees for private appraisers that is assessed to the mortgagor as part of the closing cost?

Mr. **DeBartolomeis**. You are saying how much do we charge or do we allow fees to be charged?

Mr. **Sabo**. Yes.

Mr. **DeBartolomeis**. It varies depending on the local market. I know in some areas it is——

Mr. **Sabo**. That is part of the closing costs.

Mr. **DeBartolomeis**. Yes, sir.

Ms. **Zagame**. We don't charge the home buyer for it.

Mr. **DeBartolomeis**. We could supply that information for the record.

[The information follows:]

Fees Charged for Appraisals

Currently, there are two separate payments for appraisals only one of which is paid by the buyer.

First, there is a charge of $125-175 to appriase a house. The appraisal is performed by fee personnel and the cost is borne by the buyer in the form of additional closing costs.

The second fee is paid to contracted personnel to perform field reviews of the work done by the appraisers. The cost of the field reviews is $50-90 depending on whether is it for exterior only or interior and exterior. HUD absorbs this cost and not the buyer. The Department requires field reviews of the appraisers work as an extra "quality control measure" so as to further ensure that the appraisal work was done effectively and that the proper HUD procedures were followed.

The 1987 Budget estimate assumes that HUD appraisers will perform all field reviews, thus eliminating the need to hire outside persons to do it.

COST OF APPRAISALS BY HUD STAFF

Mr. SABO. You used to have your own fee appraisers, or own appraisers. Was that added to the closing cost of the individual?

Mr. NISTLER. Yes, it was.

Mr. SABO. What was that charge?

Mr. NISTLER. Depending how many years you want to go back.

Mr. SABO. At the end when we had them.

Mr. NISTLER. Around $95 in those days.

Mr. SABO. It has doubled?

Mr. DEBARTOLOMEIS. In some areas.

Mr. NISTLER. It will vary today from $95 as a low to $175, depending on the market areas.

COST OF USING HUD PERSONNEL FOR APPRAISAL REVIEW

Mr. SABO. About double.

What resources, both dollars and staff years, would be required to be added to the 1987 budget request to ensure that only HUD employees reviewed appraisals done by individuals on a fee basis?

Mr. DEBARTOLOMEIS. We would have to look into that and provide that for the record.

[The information follows:]

COST OF USING HUD EMPLOYEES EXCLUSIVELY FOR REVIEW APPRAISALS

The 1987 Budget estimate assumes that HUD appraisers will perform all review appraisal work. Based on this assumption—and the workload assumptions in the Budget—no additional dollars or staff-years would be required. When staffing and administrative expense numbers for 1987 are revised to reflect new workload assumptions, the estimates will continue to reflect the assumptions that HUD appraisers will perform all review appraisal work.

NATIONAL ASSOCIATION OF REALTORS PROPERTY DISPOSITION PROGRAM

Mr. SABO. A pilot program to help sell repossessed properties, the National Association of Realtors Federal Agencies Property Disposition Program, was announced late last year. The program calls for the FHA and the VA to list foreclosed properties with local realtors in seven test markets in an attempt to reach more buyers.

Has this pilot program been implemented in all seven test areas?

Mr. DEBARTOLOMEIS. This is a program I would like Jim Nistler to speak about. It is not really a demonstration or pilot program of HUD. It is more of an initiative of the National Association of Realtors. They are working with us to try and sell as many of our properties as they can.

Obviously it is to their benefit.

Mr. SABO. Do they get a seven percent realtor fee?

Mr. DEBARTOLOMEIS. I can't speak to the exact amount of fees they would get in every instance, but it is a program that they are initiating on their own, and we are cooperating with them because ultimately the benefit will be to the taxpayers and to the insurance fund, hopefully in terms of higher returns.

Jim, perhaps you could provide additional information as to the success?

Mr. NISTLER. Des Moines is the next one which should be eight, but it is a process——

Mr. SABO. It is in all seven areas?

Mr. NISTLER. No, it is not totally implemented. We agreed to cooperate in the last part of January and it is just now getting into place in each city.

Mr. DEBARTOLOMEIS. I guess the bottom line is it is too early to tell whether it will be successful or not.

Mr. SABO. What additional cost will be associated with implementing this program in 1986?

Mr. DEBARTOLOMEIS. I don't have that information.

Mr. NISTLER. Very little. It is a matter of getting a tape to the local, normally, multiple listing service, giving them a copy of the properties that we have for sale and the prices.

Mr. DEBARTOLOMEIS. We are saying there would be nominal administrative costs to provide that sort of information.

INCREASE IN PREPAID PREMIUMS

Mr. SABO. The Administration is proposing in 1987 to increase single-family prepaid premiums from 3.8 percent to five percent of the mortgage amount. Is it your intention to raise the prepaid premiums for FHA even if other proposed increases, in fees, such as proposed for the VA, are not enacted?

Mr. DEBARTOLOMEIS. That is correct.

Mr. SABO. Is the 3.8 percent insurance premium rate actuarially sound?

Mr. KLIMAN. It is sound, but not required.

Mr. SABO. If it is sound, why are you proposing to raise it?

Mr. DEBARTOLOMEIS. As a deficit reduction measure, sir.

Mr. SABO. Is this part of the Administration's tax program, revenue enhancement?

Mr. DEBARTOLOMEIS. I can't speak to that.

Mr. KLIMAN. Actually, Mr. Sabo, earlier today you raised the subject of the rebates and to the extent that it goes up from 3.8 to five percent, and there is no actuarial basis, the full amount will end up being rebated, 100 percent of it.

Mr. SABO. Over what period of time?

Mr. KLIMAN. Twelve years perhaps.

Mr. SABO. It is a temporary revenue enhancement but the fund does not require it to go over 3.8 percent to be actuarially sound; 1.2 percent sales tax on mortgages sounds like to me.

Ms. ZAGAME. Some call it a user fee.

CLAIMS ESTIMATES

Mr. SABO. On page J-5, claims totalled $2,242,462,000 in 1985. Your current estimates for 1986 is $2,322,127,000. That represents an increase of $361 million above last year's 1985 claims estimate of $441 million above last year's 1986 claims estimate.

What do you believe are the major reasons that the near record foreclosure rate continues?

Mr. **DeBartolomeis**. I believe that it is a direct result of some soft markets in some of the petroleum based areas such as Houston and Oklahoma City and also in the Colorado western slope and areas that were heavily dependent on oil. With the decline in oil prices, people have left and the jobs are no longer there. We are seeing increased numbers of defaults in those areas.

Mr. **Kliman**. One thing on that. That is going to be the reason why the actual 1986 number will be higher than the estimated 1986 number.

Mr. **Sabo**. What about 1985?

Mr. **Kliman**. The Single Family Task Force which Judy Tardy led—and she will be here tomorrow to discuss it—is the group that looked into why these claims are going up and came up with a number of causes. One of these is investor loans that the Department would like to get rid of with only 12 percent of our work it causes 30 percent of our claims. That and other factors are involved.

There have been a lot of problems in single family underwriting and there are a lot of recommendations for correction.

SALE OF MORTGAGE NOTES

Mr. **Sabo**. On page J-11 under the sale of multi-family mortgages, the budget indicates in 1987 HUD is proposing to sell $300 million of current unsubsidized HUD-held mortgage notes from its portfolio. The mortgages will be sold without reinsurance.

Will this affect the sale of these mortgages?

Mr. **DeBartolomeis**. To a limited degree, it will affect the sale, however, we have just recently promulgated a regulation which will enable HUD for the first time to provide additional information to those that are interested in purchasing those mortgages. We feel that additional information will give the investors a higher degree of predictability in the performance of these mortgages and, therefore, we think we will get a very good price.

In addition, I think the current mortgage market should be most favorable for the sale of HUD-held mortgages.

SECTION 202 LOAN LIMITATION

Mr. **Sabo**. We will get some of these questions for the record.

The 1986 HUD-Independent Agencies Appropriation Act established the Section 202 limitation at $631,233,000. That has been reduced due to sequestration and the Administration has temporarily deferred $549,257,000 to allow Congress to act on a supplemental request to lower the Section 202 direct loan limitation to $54,642,000.

Because the loan limitation is not budget authority, this proposal was not set up under the procedures provided for in the Impoundment Control Act. The House has not acted favorably upon that request.

The report accompanying the 1986 Supplemental Appropriations bill says, and I quote:

It is expected that all funds—whether covered under rescission proposals or deferral proposals in the case of supplemental appropriation language requests proposing to lower loan limitations—be made available at the end of the 45 day impoundment period.

Has the Department made the deferred Section 202 funds available yet?

Mr. Kliman. The Section 202 funds are still in a deferred status. That is also the subject of a lawsuit that is pending.

Mr. DeBartolomeis. We are currently reviewing this and we will be discussing it within the Administration. We would hope to come to you to give ~~you~~ our latest indication of what it is we plan on doing with those funds.

Mr. Sabo. If the deferred funds are not released by May 1, how does the Department plan to operate the Section 202 program in 1986?

Mr. DeBartolomeis. If we don't have the funds by May 1st, it would be rather difficult to administer the program in the fashion as in the past few years. There may be some short cuts but at this time I would not like to guess what we would have to cut out.

REDUCED SECTION 202 CONSTRUCTION STARTS

Mr. Sabo. What causes a number of Section 202 construction starts to fall short of the estimate? Is there a problem moving them to construction?

Mr. DeBartolomeis. We are pretty close to our projections. We had some updated information that showed we were very close.

Mr. Sabo. In 1985, there were 8,752 versus an estimate of 14,000.

Mr. DeBartolomeis. The latest information we have for the construction starts are 12,381 units in 1984 and 13,146 units in 1985. We are trying to resolve the difference between two different reports—one report said we were down lower, another report said we were higher.

We are trying to reconcile that. I personally believe we are much higher than the lower report listed.

The bottom line is that we are close to the projections and we are moving in the right direction.

OBLIGATION OF HOUSING COUNSELING FUNDS

Mr. Sabo. ~~When~~ does HUD plan to obligate the 1986 Housing Counseling Assistance funds?

Mr. DeBartolomeis. We just got them back. We have been working on that. In the very near future.

Mrs. Boggs. When?

Mr. DeBartolomeis. I don't have a date specific for you. I can supply that for the record.

[The information follows:]

Dates of Obligation of Housing Counseling Funds

Funds appropriated in fiscal year 1986 for the Housing Counseling Assistance program are currently scheduled to be obligated during the months of July and August, 1986.

HOUSING COUNSELING ASSISTANCE

Mr. **Nistler**. We are ready to go to the regions so it will be almost instantly.

Mr. **Sabo**. Who decided to raise the minimal allowable grant to $10,000 from $5,000 for the counseling agencies?

Mr. **DeBartolomeis**. I am unaware of that change.

Mr. **Nistler**. When we went down to $5,000 all we did was make a lot of people mad. The $5,000 does not do enough so we went to ten.

At least it gives some agencies enough money to fund a reasonable program. That was last year.

CONGREGATE SERVICES

Mr. **Sabo**. Turning to the Congregate Services program. No appropriation is requested for the Congregate Services program in 1987. What percent of Congregate services funds are spent on meals?

Mr. **DeBartolomeis**. I will have to supply that for the record.

[The information follows:]

Funds Obligated for Meals Under the Congregate Services Program

The Congregate Services program is the primary funding source for meal services in the participating Section 202, Housing for the Elderly or Handicapped projects.

The program data obtained by HUD Government Technical Representatives and included in the Annual Reports to Congress indicates that Congregate Services disbursements for meals have been as follows:

Calendar year	Disbursements for meals	Disbursements for meals as a percent of total disbursements
1980	NA	NA
1981	$895,000	52
1982	1,661,800	49
1983	1,909,535	49
1984	2,187,541	52
1985	2,290,937	52

NA—Data not available.

ALTERNATIVE FUNDING SOURCES FOR CONGREGATE SERVICES

Mr. **Sabo**. Would the program be able to continue if HUD funding was not provided?

Mr. **DeBartolomeis**. Funds are available under Title III, the Older Americans Act and Title XX, Social Service Block Grant Program, Social Security Act, both of which are administered by the Department of Health and Human Services.

Mr. **Green**. When you are talking about Title XX, hasn't the Administration requested a reduction of those funds?

Mr. **DeBartolomeis**. I don't have that answer for you.

Mr. **Green**. I know it is there.

Mr. **Sabo**. When does HUD plan to obligate the 1986 Congregate Services program funds?

Ms. **ZAGAME**. Again, I think this falls in the same category as the Housing Counseling. We just got the money back last week and we will obligate it as soon as we can.

Mr. **SABO**. You really take that rescission program seriously. Did you stop working on these programs?

Mr. **DEBARTOLOMEIS**. Yes, we did. Absolutely.

COST OF EXTENDING CONTRACTS IN 1987

Mr. **SABO**. How much money will be required in 1987 to fund all 62 projects currently in the program to April of 1988?

Mr. **DEBARTOLOMEIS**. We need $715,000 additional which would fund all those 33 projects through 1987.

Mr. **SABO**. I think we will turn to the other section.

Mr. **BOLAND**. Mr. Wilson, please proceed.

SUMMARY OF STATEMENT BY MR. WILSON

Mr. **WILSON**. Mr. Chairman, and Members of the Committee, it is a pleasure to appear before you today to discuss the proposed budget of the Government National Mortgage Association for Fiscal Year 1987.

MORTGAGE-BACKED SECURITIES PROGRAM

Our budget proposes a limitation on the Mortgage-Backed Securities Program in 1987 at a level of $68.25 billion of commitments issued, and $39.5 billion of issues guaranteed.

As you know, the 1986 credit limitation of $65.3 billion has already been virtually exhausted and we are asking Congress—I know of your action yesterday—to provide for an increase. No reevaluation has yet been made of our 1987 requirements, but we will be doing so in the near future.

The 1987 estimate in the budget is based on the following: one, anticipation of more stable mortgage interest rates; two, the implementation of a number of proposed modifications to FHA and VA programs; and three, the effect on program volume of a proposed nine basis point increase—from six basis points to 15 basis points—in mortgage-backed securities guarantee fees for single-family issuances.

Also proposed is an additional mortgage-backed securities guarantee fee increase for single-family issuances of five basis points—from 15 basis points to 20 basis points—to take effect in Fiscal Year 1988.

These fee increases are proposed to bring the fee structure of GNMA-guaranteed securities closer to that of privately issued and guaranteed mortgage-backed securities and are part of a Government-wide effort to facilitate additional private sector activity, particularly in the secondary market for home mortgages.

Similar fee increases, in the form of user fees, are proposed for mortgage-backed securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

ADMINISTRATIVE EXPENSES

In 1987, GNMA administrative expenses are projected to be $5.1 million, an increase of $513 thousand from the 1986 estimate. The increase in expenses is primarily for automated data processing support. This support is critical to replacing existing manual systems and enhancing existing automated systems towards a state-of-the-art management information sytem that can be responsive to Congress, the financial community and the public.

The budget reflects a decrease of two staff positions, from 54 positions to 52 positions, returning GNMA essentially to its Fiscal Year 1980 actual staffing levels. While I am proud of our performance in handling our growing work load with virtually no staff increase, we have been reviewing our staffing levels with the Office of Administration to ensure that we have sufficient administrative capacility to handle the work in an efficient manner.

This concludes my prepared remarks. I would be pleased to answer any questions you may have regarding GNMA's programs or its 1987 request.

[The statement and biography of Mr. Wilson follow:]

Statement of Glenn R. Wilson, Jr.
Government National Mortgage Association
Before the Subcommittee on HUD-Independent Agencies
of the House Committee on Appropriations
April 1986

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss the proposed budget of the Government National Mortgage Association for Fiscal Year 1987.

Mortgage-Backed Securities Program

Our budget proposes a limitation on the Mortgage-Backed Securities Program in 1987 at a level of $68.25 billion of commitments issued, and $39.5 billion of issues guaranteed.

As you know, the 1986 credit limitation of $65.3 billion has already been virtually exhausted and we are asking Congress to provide for an increase. No re-evaluation has yet been made of our 1987 requirements, but we will be doing so in the near future. The 1987 estimate in the budget is based on the following: (1) anticipation of more stable mortgage interest rates; (2) the implementation of a number of proposed modifications to FHA and VA programs; and (3) the effect on program volume of a proposed 9 basis point increase (from 6 basis points to 15 basis points) in mortgage-backed securities guarantee fees for single-family issuances.

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Administrative Expenses

For 1987, GNMA administrative expenses are projected to be $5.1 million, an increase of $513 thousand from the 1986 estimate. The increase in expenses is primarily for automated data processing (ADP) support. This support is critical to replacing existing manual systems and enhancing existing automated systems towards a state-of-the-art management information system that can be responsive to Congress, the financial sector and the public.

The budget reflects a decrease of 2 staff positions from 54 positions to 52 positions, returning GNMA essentially to its FY 1980 actual staffing levels. While I am proud of our performance in handling our growing workload with virtually no staff increase, we have been reviewing our staffing levels with the Office of Administration to ensure that we have sufficient administrative capability to handle the work in an efficient manner.

This concludes my prepared remarks. I would be pleased to answer any questions you may have regarding GNMA's programs or its 1987 request.

Glenn R. Wilson, Jr.
President
Government National Mortgage Association

Glenn R. Wilson, Jr. was nominated by President Reagan to be President of the Government National Mortgage Association (GNMA), Department of Housing and Urban Development, on May 16, 1985. He was confirmed by the Senate on July 16.

As President of GNMA, Mr. Wilson directs the operation of several programs that aid residential financing through commitments to purchase mortgages from private lenders, and through GNMA's mortgage-backed securities program which guarantees securities backed by pools of federally-underwritten mortgages.

Prior to his appointment, he was president and owner of Mid-Continent Enterprises, Grand Island, Nebraska. He was responsible for all major operating aspects of Mid-Continent and its divisions, including syndicating limited partnerships, arranging construction financing, negotiating long-term mortgage commitments, and managing both commercial and residential properties. The company was incorporated in 1975.

Mr. Wilson has been active in the Nebraska Republican Party and the Reagan Campaigns.

Mr. Wilson has been named to "Who's Who in American Politics" on several occasions, and received the Great American Builder Award in 1982.

Professional associations throughout his career include service as President of the Nebraska State Homebuilders Association and President of the Home Owner's Warranty Corporation, 1979-1980. He also has been active in civic affairs, including the Grand Island schools and Rotary International.

[Clerk's note.—Transcript of the proceedings of the Government National Mortgage Association [GNMA] hearing was lost. Subsequently, GNMA provided for the record answers to questions asked during the hearing.]

GNMA (MBS)
Mr. Boland #1

The Government National Mortgage Association has temporarily stopped making new guarantees of securities backed by Government-insured mortgages.

Question: What is the impact on lenders and borrowers of Ginnie Mae not being able to issue any new commitments?

Answer: It would depend upon each lender individually and their financial arrangement. If their structure was so geared to rely entirely or to a large extent on the MBS program, then the impact would be large. This lender would then have to seek other sources of funding which could be costly. Those lenders with small capital would not have access to the sources that they have now under the MBS program. If a lender had sufficient resources for capital then the impact would be slight. There has been virtually no negative effect on the borrower.

Question: How long do you estimate it will be before there will be really serious problems due to Ginnie Mae not being able to issue any new commitments?

Answer: Three or four weeks for a minority of issuers, then much more serious as time goes on for the remainder of issuers.

Question: How many lenders do you estimate have stockpiled GNMA guarantee commitments?

Answer: That is difficult to determine at this point. It has been GNMA's experience that lenders will take down what they anticipate they will need. This is strictly a business judgment. With the dramatic drop in interest rates, a large number of lenders anticipated what the impact would be on the MBS program. At this time their judgment appears to be correct.

Question: How much of a pipeline do most lenders have? How long before they start to run out of money to lend?

Answer: This is an area that we have little data on and do not know what other resources are available to the lenders.

Question: How much relief do you believe that Freddie Mac will provide?

Answer: We cannot determine this precisely, but both Fannie Mae and Freddie Mac have announced short-term assistance measures. Because many issuers have open commitments, this alternative would not be fully taken advantage of for several months. The longer GNMA goes with no new authority, the more necessary assistance from Fannie Mae and Freddie Mac becomes.

GNMA (MBS)
Mr. Boland #2

The House considered a bill on Monday to increase FHA and Ginnie Mae limitations. As I understand it, a supplemental increase in the 1986 GNMA limitation has been requested of OMB.

Question: What was the amount of the increase in the 1986 GNMA limitation you requested?

Answer: GNMA requested $100 billion from OMB. The request was based on FHA projections at that time. This represents an increase of $34.7 billion from the $65.3 billion enacted for 1986.

Question: Did your request to OMB assume any changes in the program--such as increasing the guarantee fees?

Answer: The request to OMB did not assume any program changes.

Question: Based on your recent data, what do you estimate the GNMA limitation should be raised to if the GNMA program is to continue through 1986 without any programmatic changes?

Answer: Our latest estimate for 1986 is $126 billion. That number could change, of course, depending on further changes in FHA and VA activity as well as changes in demand for commitments by mortgage lenders.

GNMA (MBS)
Mr. Boland #3

Question: The 1987 Ginnie Mae limitation request is $68,250,000,000. Based on your most recent data, what do you estimate the Ginnie Mae commitment level to be in 1987? Assume the interest rate continues to remain low and no changes in the current FHA and VA programs.

Answer: If interest rates continue to remain low and there are no changes in the current FHA and VA programs, we presently estimate that the GNMA commitment requirement could amount to $152.5 billion in 1987. If additional funds are made available in 1986--and if those funds are picked up by mortgage lenders--the demand for 1987 commitment authority could be reduced.

GNMA (MBS)
Mr. Boland #4

The Administration is proposing a nine basis point increase in guarantee fees for the basic mortgage-backed securities program to take effect in 1987. An additional five basis point increase is proposed for 1988. The fee increases are to gradually bring GNMA gurantee fee closer to that charged by other issuers of mortgage-backed securities and is part of government-wide effort to facilitate additional private sector activity in the secondary market for home mortgages. Similar fee increases, in the form of user fees, are being proposed for the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

Question: Legislation is not needed to increase the Ginnie Mae guarantee fee, is it?

Answer: No legislation is needed. The fee may be set administratively.

Question: What happens if the legislation to increase FNMA and FHLMC fees is not enacted -- will GNMA guarantee fees remain the same? If not, explain.

Answer: The Secretary has the authority to administratively raise GNMA's operating fees without Congressional approval. The Secretary reserves that authority as part of the overall responsibility for administering the Mortgage-Backed Securities Program. The Secretary would, of course, be guided in the use of his authority by any Congressional action which pertains to the issue.

WEDNESDAY, APRIL 23, 1986.

Mr. **BOLAND**. We are delighted to have with us the Assistant Secretary of the Administration. Judy, you have been a good one and we are pleased to have you.

You are always forthright with your answers to this Committee. My staff, I must tell you, works closely with your office and with Mr. Kliman's staff, and are always delighted to be in touch with you.

Why don't you go ahead with your statement and then we will proceed into the GAO report and into the regular justifications.

Ms. **TARDY**. Mr. Chairman, I was just going to submit my statement for the record. I think we can just go ahead with the questions.

Mr. **BOLAND**. Sometimes we say submit the statements and then the off the cuff remarks are longer than the statements.

Ms. **TARDY**. I agree. I don't think I could even summarize the statement.

[The statement of Ms. Tardy follows:]

STATEMENT OF JUDITH L. TARDY

ASSISTANT SECRETARY FOR ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES

THE HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 1986

I am pleased to appear once more before you to support the Department's request for administrative expenses.

We are proposing a Salaries and Expenses, HUD budget of $584.5 million. These funds will support 11,490 staff-years of effort and an end-of-year staff level of 10,795.

The budget request reflects continued implementation of efforts we have begun to manage and deliver the Department's programs efficiently; that is, to administer the approved program levels in a manner which maximizes services to our clientele at the lowest possible cost to the taxpayers.

I have, in previous appearances, described and discussed more specifically and in great detail some of the management improvements we have installed. These include, but are not limited to, an increased use of automated data processing and advanced office technology to enhance staff productivity, more efficient utilization of space, improvements in records management and, of course, the area in which we placed our greatest emphasis, financial management. We have made significant strides in improving our cash management, expanding debt collection efforts and establishing internal controls designed to reduce our vulnerability to fraud and mismanagement.

We are not proposing any significant or new initiatives for this Fiscal Year or Fiscal Year 1987, but rather intend to continue to improve and expand on the efforts already underway. I would now like to make myself and the representatives of major Departmental activities who have accompanied me available to respond to any questions that you or other committee members may have about our budget request.

SINGLE FAMILY TASK FORCE

Mr. **Boland**. Let me get into some of the questions on the Task Force.

Last May, the General Accounting Office issued a report entitled "Stronger Internal Controls over HUD Single-Family Mortgage Insurance Programs Would Discourage Fraud." Last June, the Secretary established the Single-Family Task Force to investigate problems of fraud and abuse in HUD's Single-Family Mortgage Insurance Program. At the beginning of this month the Secretary announced actions recommended by the Task Force. The Committee intends to monitor how the Department follows through on the Task Force recommendations.

By what date will HUD be able to implement the recommendations of the Task Force?

Ms. **Tardy**. We have already begun, Mr. Chairman. We have implemented some things as the Task Force was going along. That is, on things that could be changed administratively, we told the staff to go ahead and start doing those things differently.

The major recommendations, though, are just about ready to go out in a mortgage letter from the General Deputy Assistant Secretary in Housing. I believe by Friday of this week the mortgagee letters should go out.

This will implement all of the recommendations with one exception which requires regulations. The General Counsel already has those regulations in process. They are on deficiency judgments.

Mr. **Boland**. Who will monitor the implementation of the regulations?

Ms. **Tardy**. The regulation or of all the recommendations?

Mr. **Boland**. The recommendations are going out. Who is going to go monitor them? Is HUD going to do the monitoring of them, too?

Ms. **Tardy**. Yes, sir. We are pulling together a chart that has every recommendation; what is needed to implement each one and its sub-elements; and who has the lead responsibility. I plan to follow the implementation, because there is quite a bit we need to do administratively to make sure the recommendations are implemented.

MONITORING

Mr. **Boland**. You don't see any problem with the fox monitoring the chickens, do you? Do you think there is any conflict here?

Ms. **Tardy**. On the recommendations, I don't think there will be, sir. The Task Force tried to concentrate on just the major items which needed the Secretary's attention. As we went along, though, we found numerous other areas where we felt we didn't have enough evidence to indicate there was a problem, but we thought there might be a potential problem. In those cases, we asked the Office of Housing to go back and do some data analysis and report back to the Secretary in 90 days.

We have eight pages of recommendations like that, and we will track all of them. In addition, I have my staff looking into some follow-on areas where I felt there was potential for efficiencies or savings.

For instance, a major one is in processing FHA single-family applications. Direct endorsement has been a major concern under review in the IG's office. The IG had some people working on the Task Force helping us out, even though has was not a member of the Task Force. We looked at claim rates, default rates, etc.

We found that they are lower for direct endorsement cases than for HUD-processed cases. That is our current data but we still need to keep monitoring that to make sure it does not turn around.

But in addition, we uncovered some interesting numbers. As you have heard this week, we estimate that FHA single-family applications are going to be up to 2.6 million this year. The work load is tremendous. However, the number that HUD processed last year versus this year is only about 13,000 more to date this year than we processed last year.

So the overwhelming majority of those cases are processed by direct endorsement lenders. A logical conclusion might be that we don't need much more staff because it is a work load we are not handling. That conclusion is invalid, however. We review the direct endorsement cases, and we have set that process up in such a way that I think we have made it much more staff-intensive.

So even though on one hand we say it is great, we have deregulated and the housing industry is handling the vast bulk of our work load, we still have a big work load associated with not only the monitoring aspects of direct endorsement, but the actual processing.

For instance, the direct endorsement lenders have to call the HUD office to get a case number. We at HUD, not the lenders, enter all the data into our system. Thus we still need a large number of staff to do the administrative processing associated with the direct endorsement cases.

PROBLEM IN INVESTOR PARTICIPATION

Mr. BOLAND. Well, the problem isn't so serious for direct endorsement, is it? My understanding is the problem is with the investor participation.

Ms. TARDY. Yes, sir. We did not find problems with the direct endorsement. We did find we may have set the whole process up in a way that makes it more staff-intensive. I have asked my staff to look for ways to improve the process and make it less staff-intensive.

For example, could we give computer terminals to the direct endorsement lenders and have them enter data into our computers, instead of our doing it for them? I am now following up on these ideas for administrative improvements.

As I said earlier, the Task Force looked into areas that had potential for fraud, and we found claims/defaults were lower for direct endorsement cases than for HUD cases.

Where we found we did have problems, generally it was in the investor area, yes, sir. Investors account for only 12 percent of the single-family business in fiscal year 1985, but to date they account for over 30 percent of our claims. Furthermore, that rate may increase because claim rates generally peak during the second and third years following the endorsement year.

Mr. **Boland**. I understand that the 1987 budget includes proposals to prohibit investor participation in single-family programs. I don't know how in the world they get into it in the first place anyhow, except I suppose because of the failure on the part of the lenders to really get a look at the background of those who are participating as investors. Is that a fair statement?

Ms. **Tardy**. Without legislation we cannot prohibit investors from the program, can we, John?

Mr. **Boland**. That would require legislation. You have a proposal. Have you been before the Banking Committee, John, on this proposal at all?

Mr. **Knapp**. No. We have had Banking hearings.

Mr. **Boland**. Do you have any comment to make on it, Paul?

Mr. **Adams**. No. There is a provision in current legislation that permits investors to participate in the program. We have some concerns about it. We are also concerned with recommendations. We will also be monitoring those, Mr. Chairman, as we go about our own work.

Ms. **Tardy**. Administratively, we have tightened up on investors. The Office of Housing has required a higher downpayment of investors. But if an investor states that the property is going to be owner-occupied so he can meet the lower downpayment requirement, we need to be able to say that he is not an owner-occupant because we know he has six other properties. We require now that an investor has to have a lease of one-year where the property is for rental purposes.

Another administrative action the Office of Housing has taken to tighten procedures is to prohibit anyone who has had an FHA claim from participating in the program for three years, unless he is an owner-occupant and was under extenuating circumstances, such as a person who has lost his job through no fault of his own.

We do not want to prohibit that person from participating in the program; however, this change in procedure will weed out a lot of the investors.

INVESTOR PARTICIPATION ABUSES

Mr. **Boland**. Is there any particular area or lender where the fault is greater, where the investor participation abuses are? Is there any history of a particular lender who has approved of this kind of investor participation in FHA guarantees, and is there any particular area of the country where it seems to be more prevalent than another area?

Mr. **Adams**. We have worked with Judy's staff on that and did some stratification of some of the lenders and we think we have targeted some of them for reviews or audits. Some tend to be in the high volume building areas like the Sun Belt.

Ms. **Tardy**. The investor problems are where our business is. Six of our ten regions have investor problems. The regions that don't have the investor problems don't have the big volume FHA business now. Boston does not have the problem, nor does the New York region. This really gets more into our recommendations on better sanctions, and better monitoring. This is an area where housing already has started to do some additional work in mortgagee monitoring. That is where I think, Mr. Chairman, that you really will catch this problem.

Right now an area I am concerned with and we are looking into is the new study we are going to do on processing. We have a requirement that 25 percent of the direct endorsement cases have to be reviewed, and they can only be reviewed for fraud or for misrepresentation.

I am not sure that an individual processor can review and detect fraud from one case. I think where you start to detect fraud is through a special unit that is monitoring and trying to look for trends by mortgagee, by mortgagor name. For instance, you may start to see that a person or multiple persons are showing up, or you may see where you have claims that are frequently tied back to particular mortgagees.

We are trying to beef up our monitoring. Already this year the mortgagee monitoring staff in Housing, to their credit, have found discrepancies from our practices and procedures, and we have gotten indemnifications for over a million dollars in loans. In contrast, a year ago in the entire fiscal year we only had indemnifications for $117,000 worth of loans.

So they are doing a better job. They referred twice as many cases, already in the first five months of FY 86, to the IG for follow-up where they have detected what might be fraud than they did for all of FY 85. I know the IG's Office already has closed twice as many audits in this area as they did a year ago.

MONITORING INVESTOR PRIOR DEFAULTS

Mr. **Boland**. Currently, is the private investor required to list prior defaults on the application?

Mr. **Adams**. No, he is not.

Mr. **Boland**. That would seem to be a simple thing to do. This apparently is a problem which has not probably surfaced recently as a result of the GAO report, but it is a problem that has been around for a long period of time.

Ms. **Tardy**. Yes, sir. One of the recommendations to Housing is to change the application form and include that as a requirement.

Mr. **Boland**. Mr. Green?

Mr. **Green**. I have no questions.

Mr. **Boland**. Obviously, you are on top of it. You are familiar with this one, of course. Everyone highlights one of the worst cases; this is the one where FHA paid a claim during 1983 for an investor with a reported net worth of approximately $3 million.

Since that time the investor has obtained 15 new insured mortgages in which three additional claims had been paid and four loans are currently delinquent. It would be interesting to know whether or not the same lender handled that particular person.

Ms. **Tardy**. That is what the monitoring people should investigate, and those are the recommendations—just one of them—that have been made to Housing. They have got to start doing that kind of analysis and do those kinds of matches.

That is how you target and go back and find fraud. We really haven't done as good a job in that area as we should have.

Mr. **Adams**. Several of those are subjects of ongoing Federal grand jury investigations, Mr. Chairman, at the present time.

Mr. **Boland**. Any general questions?

Why don't we go up and answer this roll call. We will be right back.

[Recess.]

SALARIES AND EXPENSES REQUEST

Mr. **Boland**. Let's go over the request for 1987. You are requesting $584,527,000 for fiscal year 1987 and for staff years, 11,490; that is a reduction, if I am looking at the figures correct, of 405 from last year. Your request for permanent positions is 10,795 compared to 11,183 in 1986, a reduction of 388. The total request for administration of the Department is $584,527,000. That is an increase of $13 million above 1986 when the $25,741,000 sequestered in 1986 is considered.

The Department requested additional funds be transferred to the S&E appropriation from the FHA fund in 1985. The additional funds were for pay cost increases and to help with the increasing FHA work load. Congress provided an increase of $6,712,000 in 1985 for these purposes. However, you returned $6,885,000 of the $288,797,000 1985 limitation to the FHA fund as reflected on page H-2.

Why was there a request for an additional transfer of funds from the FHA and then the money was not used?

Ms. **Tardy**. We had requested it earlier in the fiscal year last year, Mr. Chairman. Because we did not want to spend it before we knew for sure we were getting it, we kept a lot of constraints on. By the time we got it, we could not use it all.

We did lapse some, appropriation and return amounts to the FHA fund, but together that came to about 1.6 percent of our total, which is not very much when you consider the totals.

FIELD OFFICE STAFF FOR FHA

Mr. **Boland**. Let me ask you whether or not the field office had adequate staff in 1985 to handle the increased FHA workload?

Ms. **Tardy**. They had as much as we could fund. We felt we could have used more, but, as I say, we got the funds late in the fiscal year. We hired as many temporaries as we could hire. Once we find out we have money it takes a while for people to actually be hired and report for work.

We did have some backlog.

Mr. **Kliman**. The problem is you handle the workload by robbing the management side to take care of the development side.

Mr. **Boland**. Was that difficult on management?

Mr. **Kliman**. It means we don't do as much management monitoring as we should.

Mr. **Boland**. I don't know if this Committee has ever really short-changed any agency or department that has come before us on personnel when the workloads are heavy. Would you say that is a fair statement?

Mr. **Kliman**. I think you have been pretty decent to us.

Ms. **Tardy**. I would like to add that I think you certainly have. We have always had a positive response when we came in, when the workload started mushrooming in single-family which we had not anticipated in the budget.

CLOSING OF FIELD OFFICES

Mr. **Boland**. Here is a little item that is not very controversial. There is a proposal to close some of the field offices. Last year you proposed closing nine field offices: Bangor; Burlington; Wilmington; Flint; Springfield, Illinois; Topeka; Fargo; Sioux Falls; and Reno. On December 16 of 1985, a cost/benefit analysis of the proposed field office closing was published in the *Federal Register* and that plan called for closing five and not nine. Those not recommended for closing were Reno, Fargo, Sioux Falls, and Flint.

How many employees are there in each of those four offices?

Ms. **Tardy**. I don't know.

Mr. **Boland**. Why don't you supply it for the record?

[The information follows:]

Staffing in Field Offices Recommended Not To Be Closed

Reflected in the 1986 Congressional Justification was the proposal to close nine small Field Offices. Subsequently, it was recommended that four of those offices not be closed. Following is a listing of the number of staff on board as of April 12, 1986, in the four offices recommended not to be closed.

Office	FTP	Temp	Other	Total
Reno, Nevada	12	1	[1] 1	14
Fargo, North Dakota	7	1		8
Sioux Falls, South Dakota	8			8
Flint, Michigan	12			12
Total	39	2	[1] 1	42

[1] One FTP is on leave without pay through June 17, 1986.

CLOSING OF FIELD OFFICES

Mr. **Boland**. My understanding is that the 90-day commend period was over on March 16, 1986. Does HUD still intend to close the five field offices?

Ms. **Tardy**. The recommendation has been made to the Secretary, Mr. Chairman, to close the five field offices.

Mr. **Boland**. You don't know when or what date they will be closed or if they will be closed?

Ms. **Tardy**. That is right. The recommendation just went to the Secretary in the last week, and it will be his determination to decide whether to agree with that recommendation or not.

Mr. **Boland**. The cost/benefit analysis shows costs of $222,675, and annual savings of approximately $480,000. The recovery period is approximately six months.

Are there costs and savings figures still valid, or do you have any more recent data on the costs and savings for the proposed field office closings?

Ms. **Tardy**. Those are the accurate numbers.

Mr. **Boland**. The cost/benefit analysis indicated ten positions would be saved by closing the five field offices and transferring the workload to other HUD offices. How many employees are currently at each of the five locations?

If you don't have the figures, you may supply them for the record.

Ms. **Tardy**. We will supply it for the record.

[The information follows:]

Staffing in Field Offices Proposed for Closing

On December 16, 1986 the plan for closing five small Field Offices was published in the Federal Register. Following is a listing of those offices and the number of staff currently located in each office as of April 12, 1986.

Office	FTP	P/T	Other	Total
Bangor, Maine	2			2
Burlington, Vermont	2			2
Wilmington, Delaware	2			2
Springfield, Illinois	7	1	[1] 6	[1] 14
Topeka, Kansas	3			3
Total	16	1	6	23

[1] There are five full-time permanent staff and one part-time permanent staff currently located in the Springfield office who are outstationed from the Chicago office.

SPRINGFIELD, ILLINOIS

Mr. **Boland**. One of the Members of the House, Mr. Durbin, is concerned about the Springfield, Illinois closing. Information from HUD shows that Springfield received more business last year than several other offices which HUD has not proposed closing.

Springfield appears to be the largest of the five offices you plan to close. It is certainly larger than a number of other field offices that will remain open. Do you have any idea what the impact of the closing of the Springfield office would have on people that do business with that office?

Ms. **Tardy**. Yes, sir. We have looked at Springfield. Springfield is only at 1.2 percent for direct endorsements. To date, this fiscal year, they have processed in the neighborhood of 600 single-family applications, but it is taking them twice as long to process each application as is standard for the rest of the country. If the lenders using the Springfield office were to do more under our direct endorsement program they would not have as great a need for a HUD office. In addition, not only can they use direct endorsement, but there also is the lender option program where lenders can go to the closest HUD office geographically. If they used that option they could use the St. Louis office, and there would be very little geographic dislocation or negative impact on people from Springfield. They don't have to go to the Chicago office to get their work done.

Mr. **Boland**. How far is Springfield, Illinois from St. Louis?

Ms. **Tardy**. It is very close. I don't have the miles.

HUD EMPLOYMENT FREEZE

Mr. **Boland**. Is the Department now operating under a hiring freeze?

Ms. **Tardy**. Yes, sir.

Mr. **Boland**. Was that freeze necessitated by the Gramm-Rudman-Hollings legislation?

Ms. **Tardy**. Yes, sir.

Mr. **Boland**. As you indicate in the justification, sequestration totalled $25,741,000 for HUD's S&E account in 1986. If additional funding is not provided in 1986, will HUD have to furlough or RIF any employees?

Ms. **Tardy**. We are hoping that we do not have to, Mr. Chairman. At this point, though, there are some funds we still have to make up for because of the Gramm-Rudman cut and which we do not have, based on our current rate of expenses.

Mr. **Boland**. How many employees are currently on board?

Ms. **Tardy**. 11,305.

Mr. **Boland**. How does that break down between permanent positions and all others?

Ms. **Tardy**. That is full-time-permanent.

OFFICE OF PUBLIC AFFAIRS

Mr. **Boland**. Last year's conference report stated that staffing reductions were expected in the Office of Public Affairs through attrition. Can you indicate for the record how many employees were in the Office of Public Affairs in October of 1985?

Mr. **Kliman**. We will provide that for the record.

Mr. **Boland**. How many employees have left the Office of Public Affairs since October of 1985, and how many employees are currently on board in the Office of Public Affairs.

[The information follows:]

Public Affairs Personnel

The following table reflects staff changes in Public Affairs since 10/1/85.

	FTP	Other	Total
On board 10/1/85	28	1	29
Left Public Affairs since 10/1/85	[1] 5	2	7
On board 4/26/86	27	0	27

[1] Offset by four hires as the result of previous commitments pending White House clearance for Schedule C appointments in Public Affairs.

HUD PAYROLL PROCESSING SYSTEM

Mr. **Boland**. Last year the Committee discussed the cost of HUD's employee payroll system, reflected on page 205 of last year's hearings. The Department was looking to see if it could find a less expensive payroll system. I note on page E-7 that the 1987 request includes an increase of $1,800,000 for a contract for having the Department's payroll operated by another Federal agency, as I understand it, rather than by in-house staff. Have you picked that agency?

Ms. **Tardy**. Yes, sir. The Defense Logistics Agency.

Mr. **Boland**. Will it be less expensive than the current system?

Ms. **Tardy**. Yes, sir.

Mr. **Boland**. What is the total amount of offsetting reductions in the in-house operations, and where does that show up in the justifications?

Ms. **Tardy**. We will have to provide that for you, Mr. Chairman, because we are a little bit off-schedule in implementing this program. The Defense Logistics Agency was more than willing to take us on as a client, but when the agreement reached the Office of the Secretary of Defense, it was delayed. We have just received an unofficial indication that the Defense Department will agree to let DLA take us on as a client.

The OMB had to intercede for us. At this point, we are probably not going to have full implementation for 18 months.

[The information follows:]

Conversion to the Defense Logistics Agency (DLA) Personnel/Payroll Processing System

There will not be any offsetting reductions in fiscal year 1987, since that is the period in which the terminal hardware will be procured and system conversion software will be developed, and in which system conversion, and testing will occur. During that period HUD will also be using its current system for personnel/payroll processing operations. Savings will occur beginning in fiscal year 1988, which is the DLA target date for HUD to become operational. At that time we project an annual savings of $400,000 in system design and development costs, since we would then be sharing those costs with the Defense Logistics Agency. Over a 7-year system life cycle, HUD will realize a savings of $2.8 million.

The above figures represent 40 percent of the average annual costs for HUD in-house system development over the period fiscal year 1983–1985, and include machine time, teleprocessing, and contractor and in-house staff time. It does not include system operations since these will need to continue within the DLA environment. Since we do not as yet have a cost estimate from the Defense Logistics Agency, we are working under the assumption that their design and development costs do not exceed those which HUD has experienced, and that once HUD is serviced by DLA, those costs will be shared equally. In addition, since HUD may require some special tailoring of the DLA system in order for us to obtain management reports unique to HUD, we estimate that cost to be approximately an additional 10 percent of the aggregate cost of design and development. Hence HUD's share of common costs will equal 50 percent, with an additional 10 percent for HUD unique requirements, and would in total represent only 60 percent of what we are currently spending.

PAYROLL INFORMATION

Mr. **Boland**. Will the new payroll system provide all of the information that the current payroll system provides?

Ms. **Tardy**. It will, sir. We would not have gone with them if we could not have gotten all of the information that we currently have under our system.

Mr. **Boland**. What about the contracting office services previously performed in-house? This has been a recommendation the Administration has pursued with practically every agency of the Government. Our understanding is that the determining factor whether to contract out for a function is supposed to be cost. Does HUD review the renewal cost of contracts to ensure that these costs remain less than the cost of performing the functions in-house?

Ms. **Tardy**. Yes, we do.

STAFFING REQUIREMENTS AND RAGS

Mr. **Boland**. Last year we discussed the Department's Resource Allocation Guidelines System, RAGS, on page 206 of the hearings. Based on the current 1986 workloads you are experiencing, does HUD have the funds for the staff called for by the Resource Allocation Guidelines System?

Ms. **Tardy**. No.

Mr. **Boland**. You do not. Then what do you need in this area?

Ms. **Tardy**. Under the single-family mortgage insurance program, we are budgeted for 900,000 applications but are running at 2.6 million, annualized.

Mr. **Boland**. What staffing resources would be required as a result of the single-family FHA problems?

Ms. **Tardy**. We need an additional $15 million, which would be 422 staff years, total.

Mr. **Boland**. Can RAGS compare the productivity of your various field offices, or do you have that capability now?

Ms. **Tardy**. Yes, we do.

Mr. **Kliman**. We just put in this year the capability to do field office comparisons for all programs. We already had that for the housing programs and now we have expanded for all programs.

Mr. **Boland**. I presume you have had some experience in what field offices have the lowest productivity?

Mr. **Kliman**. Yes, sir. We give a regular report to Mrs. Tardy on the subject.

Ms. **Tardy**. There is a wide variation.

Mr. **Boland**. And those figures sometimes lead to the closing of field offices, don't they?

Ms. **Tardy**. No, sir. No. To date we have not made a recommendation based on any of that data.

Mr. **Boland**. In 1985, did the Department have the field staff called for by RAGS?

Mr. **Kliman**. No, sir.

Mr. **Boland**. Was the staffing over or under, and by how much?

Ms. **Tardy**. Basically, it was under, Mr. Chairman, and, again, because of the mushrooming single-family work load which we had not budgeted for.

Mr. **Boland**. How is RAGS turning out as an indicator of staff resources needed for various workload levels?

Ms. **Tardy**. It is a very good system. Much better than the work measurement system we had previously.

SEQUESTRATION OF FHA ADMINISTRATIVE FUNDS

Mr. **Boland**. The table on H-2 shows required sequestrations of $10,810,000 for FHA funds and $465,000 for other transfers. Will these sequestered amounts be returned to the FHA and other funds or will these funds go directly to the Treasury?

Mr. **Kliman**. I forget the legal ruling on that one. I think it simply goes back to the FHA fund, but I will have to check that for the record, Mr. Chairman.

[The information follows:]

SEQUESTRATION FUNDS

Sequestered funds in "Salaries and Expenses" can be expected to lapse and be returned to the Treasury, except for any amounts attributed to the administration of FHA mortgage insurance programs, which, in that case, would be returned to the FHA Fund. Sequestrations of transferred funds generally are returned to the parent account.

STAFFING FOR TERMINATED PROGRAMS

Mr. **Boland.** The 1987 S&E request assumes several program terminations and reductions. How much money would have to be added to the 1987 S&E request if the programs are not decreased or terminated as proposed?

Let's assume that there is no termination of UDAG or Section 312, and also 100,000 incremental housing units in 1987 of which only a part would be vouchers. How many staff years would have to be added to the 1987 request of 11,490 if the proposed program decreases and terminations do not take place?

Ms. **Tardy.** In full time permanent positions, Mr. Chairman, we would need 642, and we can provide for the record what that translates into in dollars and staff years.

Mr. **Kliman.** It is 534 staff years and $20,667,000.

USE OF GOVERNMENT VEHICLES

Mr. **Boland.** In fiscal year 1983, the Inspector General issued an audit report on the use of the Government vehicles by HUD's central office staff. One of the recommendations was to prohibit the use of Government vehicles for transport to and from airports during non-duty hours. Overtime pay for drivers was much greater than the cost of taxi service.

Are HUD's central office employees, other than the Secretary, being taken to or picked up from the airport during off-duty hours?

Ms. **Tardy.** The only cases we had last fiscal year, Mr. Chairman, were for the Under Secretary, and in each instance he was the Acting Secretary that day.

COLLECTION OF DEBT FROM FEDERAL WORKERS

Mr. **Boland.** I think he is entitled to be picked up. We have a little different idea on transportation on this side than they do on the other side of this building.

Last year there was a discussion about the Department going after the wages or pensions of more than 1,000 current or retired Federal workers who had defaulted on Government-insured home-improvement and mobile home loans. Ms. Tardy indicated that nothing has been collected as of March, 1985. How much has been collected to date under this program?

Ms. **Tardy.** Mr. Chairman, we re trying to pull out the total dollars for you, but I can give you numbers. We actually had 2,422 cases of current Federal and military or retired Federal and military employees who have delinquent debts.

When we contracted them and told them that we were going to offset their salaries, 66 percent of them agreed to a repayment schedule. Fourteen percent were in bankruptcy, were no longer living, or could not be contracted.

The remaining 20 percent refused to come in and negotiate with us, and we are in the process of offsetting their salaries. Some of them are already offset and have resulted in an average payment of $100. The rest are in the process.

There is a long "due process" that we have to go through, in terms of the notifications to them that we are going to offset their salaries.

Actually, we have gotten quite a bit. Seventeen people came in and paid up in full, and in addition to the salary offset this year, we did an offset with IRS for IRS refunds for delinquent Title I debt.

When we notified the delinquent individuals we were going to do that, we received $1.3 million from people who paid up. To date we have gotten $3.3 million from IRS. We are one of five agencies in this pilot, and I understand HUD actually has received the most offset from the IRS.

It is a two-year program. Next year we are going to ask them to let us do more than just the Title I offsets. We sent out letters to 62,000 delinquent Title I debtors telling them that if they aren't current by the end of May we are going to report them to credit bureaus.

Mr. **Boland**. Will you update the table you have on page 209 of last year's hearings?

Ms. **Tardy**. Yes, sir.

[The information follows:]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT 30a

RECEIVABLES DUE FROM THE PUBLIC FROM OVERPAYMENTS OR DEFAULTS

As of September 30, 1985
(Dollars in Thousands)

	RCVBL Balance As of 9-30-84	Established	Collected	Reclassified	Written-Off	RCVBL Balance As of 9-30-85
OVERPAYMENTS:						
Housing Payments	$15,458	$43,151	$33,852	($4,263)	0	$20,494
P.H. Operating Subsidies	1,741	6,179	6,684	509	0	1,745
Community Development Grants	7,307	37,332	36,092	(4,163)	6	4,378
Urban Development Action Grants	452	0	0	0	0	452
Comprehensive Planning Grants	255	1	136	(57)	5	58
Urban Renewal Programs	602	0	0	0	0	602
Model Cities	2,136	0	0	(452)	0	1,684
Revolving Fund (Liquidating Program)	804	0	325	0	0	479
Low Income Housing Demonstration	15	0	0	0	15	0
Research and Technology	9	76	10	(6)	0	61
Salaries and Expenses	117	307	308	(9)	8	99
Subtotal, Overpayments	28,896	87,046	77,415	(8,441)	34	30,052
DEFAULTS:						
FHA Insurance Fund:						
Title I	213,355	75,394	11,864	9,386	60,705	225,566
SF Mortgage Notes	956,627	184,235	34,627	(18,601)	21	1,087,613
MF Mortgage Notes	2,994,797	59,286	82,753	(73,566)	8,205	2,889,559
Subtotal, Defaults	4,164,779	318,915	129,244	(82,781)	68,931	4,202,738
Grand Total	4,193,675	405,961	206,659	(91,222)	68,965	4,232,790

TRAVEL, FISCAL YEAR 1986

Mr. **Boland**. The table on page H–22 shows $12,778,000 for travel in 1986. Why does the object classification schedule in the *Budget Appendix* show $14 million for travel in 1986? Is the *Budget Appendix* in error?

Mr. **Kliman**. It could very well be, Mr. Chairman. I don't have the answer to the question and I will provide it for the record.

[The information follows:]

1986 Travel Estimate

The Budget Appendix travel estimate for 1986 of $14 million (page I-M37) does not reflect the impact of Gramm-Rudman-Hollings, while the travel estimate of $12.8 million on page H–22 of the Justifications does show the results of sequestration.

HUD LIBRARY

Mr. **Boland**. The library was previously operated by inhouse staff. In 1984 operations were begun under a private contract. On page H–31, operations in 1986 are currently estimated at $623,000 for library services. That is an increase of $112,000 above last year's estimates of $511,000. What causes this increase of $112,000 above last year's estimates?

Ms. **Tardy**. We will have to provide that for the record.

[The information follows:]

Library Services

The $112 thousand increase in library services costs for 1986 (from $511 thousand in the original 1986 Budget to the current estimate of $623 thousand) is as follows:

a. The estimate now includes $72 thousand for library database support contracts which were previously included under the subobject class for "General Support Services." In order to show total library costs, these funds have been shifted and are now included under the subobject classification for "Library Services."

b. The remaining $40 thousand portion of the increase is accounted for by (1) an increase in the cost of the library contract due to a rise in the Department of Labor wage determination rate ($20 thousand) pursuant to the Service Contract Act of 1965, and (2) an increase in workload in the HUD Program Information Center (from 100 to 1,000 letters per month to be answered), which caused an increase in the cost of the contract ($20 thousand).

HEADQUARTERS BUILDING

Mr. **Boland**. On page H–34, under HUD Headquarters Building Operation and Maintenance, you indicate $3,767,000 obligated for this purpose in 1985. Last year you estimated $2,920,000 for operating and maintaining HUD's headquarters buildings. A similar increase is noted between last year's 1986 estimate of $3,395,000 and this year's 1986 estimate of $4,356,000. What is the problem there? You may supply that for the record.

[The information follows:]

Building Operations and Maintenance

The fiscal year 1985 estimate was revised to include unforeseen wage rate increases for the Headquarters custodial contract and deferred repairs for heating, ventilation and air conditioning systems. At the time building maintenance and operations responsibilities were assumed from the GSA, these systems were in poor condition and in need of repair to reliably and efficiently continue operation. An increase in the fiscal year 1986 estimate was necessary to provide an uninterruptable power source for the Department's ADP equipment. Additionally, expansion of the Headquarters computer facilities was anticipated.

COMPARISON WITH GSA COSTS

Mr. **Boland**. Are costs increasing more than they would if GSA were still responsible for O&M of the HUD headquarters building?

Ms. **Tardy**. In fiscal year 1985, Mr. Chairman, we spent just about what GSA had estimated they would have charged us for building maintenance. In addition, we actually accomplished 57 major repairs to the building of the type that were never done when GSA operated our buildings.

We also have initiated major energy conservation efforts which cost us some initial outlays, but we anticipate the savings will be greater in the future. So we think it was worth spending the money.

In addition, when GSA turned over the building to us and the contracts to run the building, they had agreed to wage increases that we had to accept because the contracts were under them. Some of those contracts were 8(a) contracts.

We are now competing those contracts because we feel we will get a cheaper price. Not that we don't want to participate in the 8(a) program or give contracts to minorities, but we feel that we cannot accept contracts that we know would be higher than if we went competitive.

So on building maintenance, we are very close to having a new contract and we anticipate it will save us quite a bit of money.

Mr. **Boland**. You would expect most of the previously deferred items will be completed in 1987?

Ms. **Tardy**. We are on track on all of our maintenance schedules.

ADP SERVICES

Mr. **Boland**. For the working capital fund, you are requesting $62,284,000 in 1987. That is an increase of $9,044,000 above 1986.

The largest increase in the Working Capital Fund, $8.8 million, is for automated data processing services. The cost of ADP services has gone up considerably in the last few years. In 1983, obligations for ADP services were $32,933,000. The 1987 request is $57,190,000. That is a 74 percent increase in four years.

Does it appear as if ADP costs are going to continue to increase at that rate?

Ms. **Tardy**. They are increasing, Mr. Chairman, primarily because each year as we develop new systems, the costs to operate and maintain the systems increase. Telecommunication costs increase. Last year and this year we had to spend considerable amounts of money, and next year we are anticipating spending additional amounts, just to have the computer capacity to handle the single-family mortgage work load.

So the main cause of our increases is basic maintenance; our fixed costs increase every year as we are bringing new systems onboard.

As the $8.8 million increase actually breaks down, $2.2 million of that is increased computer capacity, increased telecommunications. Five million of that will be new systems development, and then we have a million that is comprised of a number of miscellaneous items under ADP.

In systems development, for instance, the majority of the five million is going to go to the multi-family tenant certification system that we need to develop. We are talking there about data on four million families—250 data elements on each family just going into one system. And that is not even a system to analyze the data.

Those are tremendous systems. When we talk of systems to handle just single-family applications, to do just basic analysis, these are tremendous systems. We have one mainframe now that does nothing but handle the single-family mortgage insurance work load.

LONG RANGE ADP PLANNING

Mr. **Boland**. Does HUD have any long range plan for ADP services?

Ms. **Tardy**. Yes, sir. We have a long-range planning document that goes out for five years. I think we are just now starting to see the benefits of the computerization that we have accomplished over the last three or four years.

We are really seeing the benefits now. I think in the past we put a lot into systems that provided "management information" but didn't really do anything for the Department. We have some systems now where we are able to see some real benefits.

We automated the Office of Finance and Accounting, OFA, last year. It used to take four to six months to pay a single-family claim. We spent $320,000 just on the interest on those claims that were backlogged.

Our new system was put in place last year. We had a 20,000-claim backlog when we put the new system in place. We have no claims backlogged today, and we pay a claim in five days.

TITLE I DEBT COLLECTION

Mr. **Boland**. I take it that the systems have changed dramatically in the period of time which HUD has been in ADP?

Ms. **Tardy**. I think that they have improved tremendously over the last number of years. We have systems now that we use operationally which save us money, which provide faster service, like paying a claim in five days.

Because of automation we are doing a much better job on Title I where we put in place our automated basic accounting system for Title I. We were not doing as good a job of debt collection in that area as we thought we should. This fiscal year we implemented an automated debt collection system that is making phone calls. We have five people that sit at a console with terminals, and all the information comes in from our collection file.

It is divided up geographically. The operator pushes a button. The case comes up on screen. It automatically dials the phone number. If it gets a busy signal, it goes on to the next call. If nobody answers, the computer makes a note that no one was home and calls again in 15 minutes.

If someone answers the phone, then the case is right there on the screen and our person says, "You owe this much, you haven't paid." And the person who answers says, "I will send the check next Tuesday." That gets entered into the system.

If the payment does not come in on Tuesday, that case automatically comes up again Wednesday and a call is placed to the same person.

In March, because of that system, we collected the highest amount of delinquent debt in the Title I program since that program has been in existence.

We are going to bring in, we estimate, $13 million more this year than we collected last year under Title I.

The way we did the IRS offset was through a computer tape that came out of a system that went to IRS. IRS won't take manual records. We have to give people computer tapes.

The way we are doing referrals to credit bureaus is by generating letters from our computer system that say this person has a delinquent debt of X amount of money owed to HUD. If we did not have this automated system we could not take any of these kinds of actions. We are able to see real savings now, which in the past we did not have from our automated systems.

DELETION OF ADP SYSTEMS

Mr. **Boland**. Last year it was estimated that HUD would have 148 operational ADP systems at the end of 1985. The table on page I-16 shows you had 136 operational systems at the end of 1985. What was the cause for the deletion of 16 systems during 1985?

Ms. **Tardy**. We are constantly terminating old systems that have been overtaken by the new systems.

Mr. **Boland**. Can you indicate for the record those that were deleted, the type that they were?

[The information follows:]

ADP Systems Deleted in 1985

The following 16 ADP systems which were deleted during 1985 are identified by the HUD office supported. Most of the systems have been deleted because they have been absorbed by more advanced systems. The HUD Mortgage Insurance Accounting System (F50-HUDMAP) has been broken into several systems.

HUD Office	Description	System Code	Name of System
Administration Office of Finance and Accounting	Records the insurance, allocates the appropriate amount of premium, records the claim, and keeps a record of each mortgagee's reserve account.	A19	Insurance In Force Coinsurance
Office of Finance and Accounting	Accounting System which automates ledger cards and prepares project notes.	A22	Maturity Register
Office of Finance and Accounting	Contains a file of information on HUD mortgagees.	A38	Mortgagee Master Maintenance
Office of Finance and Accounting	Produces reports on debt collection activities.	A68	Multifamily Notes
Office of Finance and Accounting	Monitors available funds for operating budget holder by object/subobject classification.	A82	Management & Control of Commitments
Office of Finance and Accounting	Reports on the various fees collected from mortgages.	F24	Insurance In Force Fee Collections
Office of Finance and Accounting	Large accounting system for FHA mortgage insurance cases.	F50	HUD Mortgage Insurance Accounting System (HUDMAP)
Personnel & Training	Personnel action tracking system	A70	Personnel Action Control and Inventory
Personnel & Training	Correspondence tracking system	A72	Correspondence Process and Account System

ADP Systems Deleted in 1985 (Cont.)

HUD Office	Description	System Code	Name of System
Housing	Provides information on housing counseling agencies and activities.	M07	Housing Counseling Management
Community Planning and Development	Summarizes data from the FORMS/CPD system pertinent to the CDBG program.	C11	CDBG Management
Office of General Counsel	Monitors status and dispostion of multifamily projects during foreclosure process.	F89	MIDLIS Foreclosure
Public Affairs	Maintains file of names and addresses, and produces mailing lists and labels.	H06	Public Affairs Address System
Regional Offices	Provides training information to Regional training offices.	A35	Training Evaluation and Accounting System
Regional Offices	Tracks the status of external audit findings.	A42	Findings of External Audits Tracking (Reg VI)
Regional Offices	Provides comparison of goals and performance for management objectives.	A99	Status of Manager and Supervisory training

HUDMAP

Mr. **Boland**. What about HUDMAP, the Mortgage Accounting System? We have discussed that for several years.

Last year, the Department indicated that the last four modules of HUDMAP would be operational in 1985. The seven year cost of the 12 systems was estimated at $149.9 million and anticipated benefits were estimated to be $519.6 million. That is all reflected on page 214 of last year's hearings.

Are all parts of HUDMAP now operational?

Ms. **Tardy**. No, sir. We have had to delay the last two. They were already automated, but they were not current automated systems. However, the workload in the Office of Finance and Accounting associated with single-family has become so tremendous we had to delay implementation so we could handle the current workload.

For instance, on one-time premium refunds where people are refinancing their FHA mortgages, in fiscal year 1985 we processed only 3,400 refunds. We estimate this fiscal year we will have 75,000 refunds.

That workload requires the same people who are working on the new systems, so we have just had to delay them. We anticipate we will complete those last two systems in fiscal year 1987.

Mr. **Boland**. Are the benefits and costs of the HUDMAP system basically the same as indicated last year?

Ms. **Tardy**. Yes, sir.

SECTION 409

Mr. **Boland**. The Administration proposes that Section 409 of the General Provisions of the appropriation bill be deleted in 1987. On page J-5, you indicate that the deletion proposal is part of an Administration-wide effort to allow flexibility in the management of funds within the totals provided by the Congress.

Did this provision prohibiting personnel compensation and benefit funds from being used for other objects of expense create a problem for the Department in fiscal year 1985?

Ms. **Tardy**. Yes, sir. It creates a problem for us every year. In the past we could come up with reprogramming proposals and ask for a change, but now we can't just do a reprogramming. Now legislation must be enacted to allow us to make changes to other objects of expenses.

The budgets are done so far in advance, Mr. Chairman, that from a real management standpoint, it is difficult to estimate what we are going to have for personnel services, for example, and to anticipate non-personnel services changes.

This week GSA told us there is a short fall in the FTS and every agency has to pick up a share. It is something like $56 million government-wide. This is an unanticipated item. The additional costs of processing the single-family workload were not in the budget. All these things require us to make changes.

We have to take money from someplace that may have decreased from what we thought we would need. We don't have the ability to do that under section 409.

This year with Gramm-Rudman, we had to take the 4.3 percent cut across-the-board. Well, there is no way GSA is going to decrease our rent bill. There is no way C&P is going to decrease our phone costs, or the Post Office is going to cut down on postage costs.

So we know we can't take real cuts there. We have to take them from some other area and our inability to do so creates a management problem for us. We sent a reprogramming letter to the Committee, which you have denied. I have a very real problem with that.

I can't anticipate the postal rates or our rent bills. I don't know what we are really going to do. We have to spend the money that we are spending, and we do as much as we can to try to stick to the budgeted items, but yes, sir, Section 409 creates a very real problem for us.

Mr. BOLAND. Mr. Green?

COMPARISONS AMONG HUD OFFICES

Mr. GREEN. With all the improvement in data processing with this study you have done in single-family, are you now at the point where you can say that the single-family operation in San Francisco makes one percent, but loses two percent in St. Louis? Can you really tell whether an office is operating profitably and not breaking even?

Ms. TARDY. We haven't looked at it that way, Mr. Green. I think we have the data so that we probably can, though, because we know where our claims are.

We know how many claims we have, we know what office they are against. So we can pull the data and look at that.

Mr. GREEN. It would seem to me that would be of some interest. I am not saying you might decide an office should be closed for other reasons.

Ms. TARDY. Overall, we know the single-family program makes money and could break it down by office to see who had the highest claim rates. I think we could do it, but we haven't looked at it that way.

Mr. GREEN. Thank you.

Mr. BOLAND. Judith, thank you very much for joining us today. Thank you everyone else.

Mortgage Credit Reviews
Mr. Boland #1

Question: The Task Force recommended that HUD require creditworthiness reviews of all those seeking to assume an FHA insured mortgage within 24 months of endorsement or of a previous assumption.

a. Why should not a person who assumes an FHA insured loan have to undergo a credit check just like a person who is seeking to insure a mortgage with the FHA?

b. Why have comprehensive credit checks on persons who assume FHA mortgages not been required in the past?

c. Can HUD require comprehensive credit checks of persons who assume FHA insured loans or would that require legislation?

Answer: Comprehensive credit checks on persons who assume FHA-insured mortgages have generally not been required when the original mortgagor sells the property through the simple assumption process. When a mortgage loan is assumed, the original mortgagor is still legally responsible for the contractual obligation. The person who assumes the loan takes over mortgage payments but doesn't have to go through a comprehensive credit check because a new mortgage loan has not been made.

While the effect of the simple assumption process on FHA defaults has not been studied until just recently, analysis of recently available data suggests that certain investors in the program have abused this process for their own personal gain.

As the Task Force pointed out in its report, the assumption feature of FHA-insured loans has been used by investors to sell FHA-insured properties to persons who are not creditworthy and who subsequently default. Since most abuses seem to occur in cases where assumptions are made within the first 24 months of endorsement, HUD is taking administrative action to require that a comprehensive credit check be made of all those seeking to assume an FHA-insured mortgage within the first 24 months of endorsement. Legislation is not required for HUD to make this change.

We expect that this comprehensive credit check requirement for persons assuming an FHA-insured loan within the first 24 months of endorsement will be effective for assumptions on or after July 1, 1986.

Urban Development Action Grants
Mr. Stokes #9

Question: HUD has established as a minimum ratio for UDAG eligibility, that 2.5 private dollars be generated for every UDAG dollar provided by the Government. Yet, in most cases, far more private money has been generated, well over 5 to 1. Furthermore, the jobs that result from UDAG projects provide tax dollars that go back into the Treasury.

a) Why is HUD proposing to terminate it, when the program has a history of providing such a strong return on the investment dollar?

b) Doesn't the effort to terminate UDAG make the Administration appear hypocritical, since it has always claimed to be in favor of promoting a stronger private sector presence in Government activities?

Answer: a) The regulations governing the UDAG program require that at least 2.5 private dollars be invested for each UDAG dollar. While the return on the investment dollar has been strong, the value of the UDAG program to specific local projects must be weighed against the health of the overall national economy. The elimination of UDAG and other programs help to reduce the federal budget deficit and thus strengthen the economy as a whole. Termination of UDAG is also consistent with the Administration's plan to eliminate all federal financing and grant programs for local economic development, including the Appalachian Regional Commission, the Economic Development Administration, and Small Business Administration.

b) The UDAG program has helped bring a stronger private sector presence to government activities. The private parties have worked closely in partnership with local government, and local government personnel have become increasingly sophisticated in the development process. We anticipate that this public-private partnership will continue without UDAG assistance. We have already seen increased entrepreneurial activity at the local government level and will continue to promote such efforts in the absence of UDAG.

Urban Development Action Grants
Mr. Stokes # 10

Question: OMB critics of UDAG have claimed, that the kind of investments that have taken place under the program, would have occurred without Federal assistance. Yet, I am told by city officials in my district, that this surely is not the case. I cite for example, a case in Cleveland, Ohio, in the Hough neighborhood, which was so deteriorated that developers consistently refused to go there. The neighborhood later received a UDAG, and today I understand that well over 300 people are on waiting lists to get into townhouses built in the neighborhood. Given that low-income housing areas and distressed communities are consistently stigmatized as risky areas of investment, what evidence do you have that the private-sector would have risked the kind of investments that have taken place, without UDAG money?

Answer: We have no such evidence. If there is evidence that a project could be implemented without the UDAG funds, the application is rejected. The applications which are approved have all passed the "but for" test. A basic purpose of UDAG is to encourage private investment in areas where it would not otherwise occur. The intent of the UDAG funding process is to ensure that "but for" the UDAG, the project would not go forward.

Urban Development Action Grants
Mr. Stokes #11

Question: One of the benefits that have come from the UDAG program that I am especially pleased with, is that it has provided incentives for employers to hire individuals, which has resulted in their obtaining permanent jobs. This has been especially important for inner-city minorities, who traditionally have been hit the hardest by a stagnant economy.

In Cleveland, Ohio, 1,336 new jobs have been created already this year as a result of UDAGs, with 375 of those jobs going to minorities. Therefore, doesn't your desire to terminate the UDAG program add "fuel to the fire," a) for the many critics who say that this Administration consciously tries to undercut all gains made by minorities since the civil rights movement? b) What are the statistics on the number of blacks and other minorities who have received jobs as a result of the UDAG program since it began in 1978?

Answer: The decision to terminate the UDAG program has nothing to do with undercutting gains made by minorities. Critics who claim otherwise do not understand the economic policies of this Administration. On the contrary, the policies of the Reagan Administration are intended to enable all Americans to prosper and enjoy economic growth to the maximum extent possible. These policies can only be achieved, however, by putting the nation's economic house in order. This means reducing federal deficits and spending, no matter how "popular" a given program.

Since its inception, the UDAG program has created over 500,000 new permanent jobs, with 19 percent of those (94,412) going to minorities. In fiscal year 1985 there was an increase in minority jobs to 27 percent, a significant increase over the cumulative percentage. Other benefits to minorities occur in UDAG through the use of minority construction contractors, minority-owned firms which lease space in UDAG assisted facilities and such non-employment benefits as loans for housing.

Urban Development Action Grants
Mr. Stokes #12

Question: Although the economy as a whole has prospered in recent years, that prosperity has not been divided evenly, nor has it "trickled down." In States like Ohio, which has a 12.5 percent unemployment rate, double that of the nation's, the loss of UDAG will only contribute further to a tragically high unemployment rate.

Under such conditions, isn't the Administration defeating its larger goal of sustaining a healthy economy in the long-run by calling for the termination of HUD's UDAG program, which has helped curb unemployment?

Answer: The termination of the UDAG program contributes to the larger goal of reducing the budget deficit which threatens economic growth overall. The value of programs such as UDAG must be weighed against the health of the national economy which affects employment everywhere. To meet the goal of budget deficit reduction and continued economic growth, UDAG and other programs are being proposed for elimination.

Community Development Block
Grant Program (CDBG)
Mr. Stokes #13

Question: The proposed FY 1987 HUD Budget seeks to severely cut the Community Development Block Grant program (CDBG), and eliminate the Urban Development Action Grant program (UDAG), two programs which have served as the backbone of Federal efforts to aid American communities in distress.

How can you have any real credibility when answering critics who say that you are completely abandoning a genuine commitment to urban and community development, given the impact of such drastic actions?

Answer: The 1987 request for CDBG would allow a $2.6 billion program level. This level was developed to meet the deficit reduction targets set by both the Gramm-Rudman-Hollings legislation and the Administration's priorities for Federal spending while also meeting urgent community development needs of State and local governments. The need to reduce the Federal deficit also makes it necessary to terminate funding for the UDAG program.

We recognize that distressed communities and persons will continue to need Federal assistance and that Budget reductions will produce some temporary dislocations in the services and facilities we assist; but two factors will help mitigate the possible effects of these reductions:

1) We propose to change the CDBG funding and targeting process to reduce the potentially adverse effects of funding reductions on our most distressed communities; and,

2) Many communities and States have funded activities through CDBG that generate and will continue to generate significant amounts of program income. This additional income should help to offset the impact of funding reductions. Additionally, many communities which have had UDAGs will be receiving repayments from those developers who were assisted by UDAG-funded loans made by the city. This too, will help alleviate the proposed funding reductions.

Community Development Block
Grant Program (CDBG)
Mr. Stokes #14

Question: Under HUD's current CDBG Formula, 15 percent of funds are allowed by cities and communities to be used for social service initiatives, which are usually administered by a local non-profit organization. In Cleveland for example, CDBG funds have assisted in building shelters for battered women, service centers for the elderly, and food and shelter for the homeless. However, city officials say that reduced CDBG funds hit such social services the hardest.

When you originally contemplated reducing CDBG significantly for FY 1987, how much consideration did you give to the benefits that the program provides in the area of social services?

Answer: The CDBG program permits local governments to use their funds for a wide array of activities in addition to social services. Participating jurisdictions can continue to elect those activities which they choose to support. Therefore, the proposed reduction in CDBG funding levels need not affect the relative level of support given by local governments to social services.

Community Development Block
Grant Program (CDBG)
Mr. Stokes #15

Question: The CDBG program has consistently been one of the hardest hit programs by the Administration year after year, receiving drastic cuts that have been felt by cities almost immediately. In Cleveland for example, the City received $39.3 million in 1980, but only $19.9 million in 1986. A reduction of almost 50%.

Looking at how drastic the year-tc-year reduction proposals for CDBG have been, is the Administration's real goal to eliminate the program?

Answer: Certainly not. The deferral of funds from fiscal year 1986, together with the 1987 appropriation request, establishes a new base level for Block Grant funding in 1987. The reason for establishing a new CDBG base level is to reduce outlays and the deficit.

Community Development Block
Grant Program (CDBG)
Mr. Stokes #16

Question: It is estimated that just $1 million dollars in CDBG funds could provide rehabilitation for 75 houses, weatherization for 400 houses, paint for 5,000 houses, 65,000 hours of day-care for children of low-income working parents, 400,000 meals for low-income persons, and summer employment for 500 persons to clean vacant lots.

Given these statistics, when you have made decisions that call for cutting or deferring CDBG funds, do you consider the great human benefits that come from the relatively small dollar contributions provided by this program?

Answer: This Administration has made clear its commitment to the CDBG program and appreciates fully the importance of the types of activities to which you refer. While it is true that the 1987 Budget does establish a new (and lower) base level for future CDBG funding, there is nothing in the 1987 Budget which would dictate that any of these specific activities be curtailed. Decisions on what specific activities to conduct with CDBG funds are made by local public officials, not the Federal Government.

Fair Housing Initiatives Program
Mr. Stokes #17

Question: What are the specific long term goals of HUD's newly proposed "Fair Housing Initiatives Program?" Do you believe that $7 million is an adequate amount to address an issue the magnitude of racial discrimination on a National scale? Do you intend to operate the Fair Housing Initiatives Program (FHIP) as a centralized program, under which HUD provides guidance that is disseminated to localities, or is it your intent that this be a decentralized program in which local housing authorities have maximum input in shaping goals, while receiving little direction from HUD?

Answer: The specific long term goals of FHIP are to use a coordinated approach in intensifying and expanding (1) Title VIII's purposes, (2) the right of all Americans to seek housing in a housing market free from discrimination, (3) information supplied to all Americans of their rights to fair housing, (4) participation and support of community leaders with Federal, State and local fair housing efforts by providing direct financial and technical assistance to public and private fair housing organizations, and (5) administrative and judicial enforcement of fair housing laws.

We believe that $7 million is adequate to fund the Fair Housing Initiatives Program. Of the amount requested, $3 million is for the Administrative Enforcement Initiative, $3 million for the Private Enforcement Initiative, and $1 million for the Education and Outreach Initiative. We will carefully monitor, assess and evaluate the impact of this new program to assure program and cost effectiveness.

FHIP will be operated as a centralized program, with participation only by public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The program will be administered by HUD staff to ensure that the program's objectives are achieved. Specific funding proposals will be formulated and designed by the public and private entities seeking to participate in the program.

Housing for the Elderly
or Handicapped
Mr. Sabo #22

Turn to the Section 202 Housing for the Elderly and Handicapped Program. No additional units are requested for fiscal year 1987. However $30,262,000 is requested in 1987 to amend applications approved in prior years which are in the processing pipeline.

Question: Are the amendment funds requested in 1987 or the amendment funds available in 1986, for Section 202 projects reserved in 1985.

Answer: Yes, the estimated loan limitations of $55 million in 1986 and $30 million in 1987 are proposed to fund any amendments to projects approved in prior years, including projects originally reserved in fiscal year 1985.

Question: If so, why were adequate funds not reserved last year for Section 202 projects?

Answer: When project applicants are selected for approval under the Section 202 program, the applications do not include detailed architectural plans, drawings and other market data which would be necessary for firm cost estimates. It is only following the acceptance of the application that the sponsor needs to undertake the substantial architectural cost and market planning needed to determine the firm construction cost. Reservation, or application approval, normally occurs between 12 and 18 months prior to construction start. As with any type of new construction, costs can and do change between the planning stages and the actual construction period. This is especially true in the Section 202 program because of the time lag between application approval and actual construction start.

Section 202 Construction
Starts
Mr. Sabo #24

The legend on page K-1 states that the 8,753 Section 202 construction starts in 1985 were substantially lower than last year's estimate of 14,000. The same thing happened last year.

Question: What causes the number of Section 202 construction starts to fall short of the estimate? Is there a problem moving the Section 202 to construction?

Answer: Construction starts under the Section 202 program were estimated at 14,000 for both fiscal year 1984 and 1985. However, actual starts of 10,709 units were recorded in 1984 and 8,753 units in 1985. Estimates of starts are based on the size of the processing pipeline and the estimated time lag involved in processing projects from initial reservation to construction start. Although the projected processing times are based on prior years actual activity, situations change from year to year, especially where new construction is involved, affecting the accuracy of construction projections. The Department is reviewing its estimating techniques along with its reporting systems in an attempt to more accurately project starts in the future.

Section 202 Projects
Mr. Sabo #25

There have been concerns expressed regarding small handicapped projects.

Question: Do sponsors of small handicapped projects have more problems with HUD's cost containment effort than do other Section 202 project sponsors?

Answer: The sponsors of small handicapped projects have had some problems with the rent structure due to the unique design features that are required in such projects. Because of this, some sponsors have had trouble meeting the Section 8 Fair Market Rents and have requested exceptions which, in most cases, have been granted.

Question: Are the program rules and regulations for all Section 202 projects the same? If not, explain.

Answer: The program rules and regulations are the same for all Section 202 projects with respect to the application process and sponsor eligibility. However, criteria for different types of projects may differ. For example, projects for the physically handicapped, developmentally disabled and chronically mentally ill require different unit, location, etc., criteria than projects designed exclusively for the elderly.

Nonprofit Sponsor Assistance
Mr. Sabo #26

The Administration is not requesting a loan limitation for the Nonprofit Sponsor Assistance Program in 1987.

Question: If the Congress were to provide for approximately 12,000 Section 202 units in 1987, what Nonprofit Assistance loan limitation would be required for 1987?

Answer: Historically, approximately 25 percent of Section 202 sponsors apply for Nonprofit Assistance loans. Assuming a 1987 Section 202 program level of 12,000 units and an average project size of 50 units, approximately 60 nonprofit sponsors would request funding. Assuming an average loan amount of $25 thousand per project, the Department would need a credit limitation of $1.5 million.

Housing Counseling Assistance
Mr. Sabo #27

Question: No appropriation is requested for Housing Counseling Assistance in 1987. No appropriation was requested in 1984, 1985, or 1986 but the Congress appropriated approximately $3.5 million in each year for this program.

The Administration proposed rescinding the 1986 Housing Counseling Assistance funds. The 45-day impoundment period has lapsed and the funds were not rescinded.

-- When does HUD plan to obligate the 1986 Housing Counseling Assistance Funds?

Answer: Funds appropriated in fiscal year 1986 for the Housing Counseling Assistance program are currently scheduled to be obligated during the months of July and August, 1986.

Congregate Services
Mr. Sabo #30

There was a $2,890,000 unobligated balance carried forward from 1985 in the Congregate Services program.

Question: Could contract extensions be made prior to the existing contracts expiring? If not, explain.

Answer: Yes, the Department extends existing contracts prior to their expiration as a matter of routine, when funds are available. In fact, the unobligated balance carried forward from Fiscal Year 1985 is currently being used to extend 24 contracts which would have otherwise expired in Fiscal Year 1986.

Reliance on GPO's Commercial
  Procurements
Mr. Coughlin #1

Question: The Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. What plans does HUD have to increase its reliance on GPO commercial procurements for both printing and electronic publishing?

Answer: HUD is mandated by Title 44 of the U.S. Code to procure all printing and binding through the Government Printing Office (GPO) or through contracts negotiated with private printers by GPO. HUD's headquarters and regional contracts with private printers are negotiated by GPO. The direct-deal and direct-bill contracts are also negotiated by GPO for short turnaround printing at Field locations. These are considered "guaranteed contracts," i.e., the contractors are guaranteed work on these contracts. All work done on established printing contracts (except the direct-deal and direct-bill contracts) are computer abstracted to ensure the lowest cost for each individual job.

Approximately 88 percent of the volume of HUD's printing is produced by GPO or private printers. The other 12 percent, done in our in-house facility, is administratively confidential, tightly scheduled, or submitted in sections, so that it does not lend itself to production outside and is more effectively completed in-house. We expect this proportionate volume to continue in 1987.

Housing for the Elderly
or Handicapped
Mr. Coughlin #2

At your news conference on the FY '87 Budget on February 5, 1986, when discussing housing for the poor you stated: "Affordability, not availability remains the dominant problem for the poor."

Question: Was this statement referring to low income families alone, or was it meant to include elderly and disabled persons as well?

Answer: The statement to which you refer was meant to include all low-income families, including elderly and disabled persons.

Question: Will elderly and disabled persons be included in the housing voucher program?

Answer: Certainly the elderly and disabled are eligible under the housing voucher program. Because of its payment standard mechanism, program participants are able to rent and receive assistance "in-place" and would not have to move to take advantage of the subsidy. This feature, in particular, makes the program suitable for the elderly.

Question: In your opinion, will the proposed termination of new Section 202 projects pose added hardships on disabled individuals?

Answer: It is possible that some disabled individual might not receive a unit he/she might otherwise have obtained. However, the number of Section 202 projects funded for the nonelderly handicapped in any given year is fairly small, amounting to approximately 2,500-3,000 units. This program was never intended to displace the States' responsibilities for carrying out the deinstitutionalization of disabled persons by the provisions of community-based housing which is State-funded. Our proposals are consistent with our overall strategy for bringing assisted housing costs under control. New construction is expensive. Our strategy is to meet housing needs through the voucher program. This is a more cost effective way to meet the needs of both the elderly and/or the handicapped.

Question: Would you consider existing rental housing to be accessible to handicapped individuals?

Answer: In 1978 the HUD Census Annual Housing Survey included a one-time special supplement that identified disabled occupants of housing units and asked them about special features that those housing units might have. We know from that survey that some privately owned, unsubsidized rental units have disabled occupants and are equipped with special features. For example:

— 135,000 unsubsidized rental units had handrails;

— 35,000 unsubsidized rental units had ramps;

— 105,000 unsubsidized rental units had special sinks, faucets, or cabinets; and

— 46,000 unsubsidized rental units had wide doorways or halls.

These are not large numbers, but they do show that the private rental market is capable of supplying housing that has features needed by the disabled. HUD's Office of Policy Development and Research currently has under way a project that is putting together guidelines on adaptable housing. These guidelines will show developers of private market housing that it is cost-effective to build units that can easily be modified to include special equipment to meet the needs of a disabled renter or buyer.

PHA Administrative Fees
Mr. Coughlin #3

Question: HUD is proposing to add 50,000 new incremental voucher units each year from 1987 through 1991 as a means of subsidized housing. I assume that these will replace the old Section 8 certificates.

Do housing authorities have the same obligations under the voucher program as they did with Section 8 certificates? That is inspection of the units, etc.

I have been told that the Administration fees have been reduced under the program and that special rules are in place for individuals whose voucher is not used in the county in which it was issued.

Could you explain these regulations and also explain how the local housing authorities are to cope with this shortfall?

Answer: Administrative fees for vouchers were originally set lower than the Section 8 certificate program because, under the voucher program, PHA's were no longer involved in (1) rent negotiations between owners and families; (2) documenting rent reasonableness, (3) determining that rents are within fair market rent limitations, (4) reviewing and approving exceptions rents or (5) processing requests for vacancy payments.

Recently the Department has proposed to reduce the administrative fees for Section 8 certificates to the same level as vouchers. This was done because there were indications that the fee structure did not measure actual costs and that in some cases fees were larger than necessary. Additionally, it was felt that there should not be an incentive for the PHA's to favor one form of assistance over another on the basis of fees alone. In light of the need to reduce overall program costs, and the Department's belief that the differences in administrative burdens between the programs were not decisive, the Department has proposed paying the same rate in both programs.

As noted in the question, there is a portability provision in the housing voucher program which allows a family to move from a jurisdiction where it has received a voucher to another PHA jurisdiction in another part of the country without losing assistance. Relocation is limited by the availability in the new location of a HUD-approved PHA to administer the assistance and there is a limit of 25 percent on the number of vouchers which can "leave" a locality in a given fiscal year.

Project Self-Sufficiency
Mr. Coughlin #4

Question: In FY 1985 a new concept called Project Self-Sufficiency was instituted on a trial basis. This program provided not only housing assistance but also job training and child care for single parent households. One area of my district, Lansdale Borough, was included in this demonstration.

a. What is HUD's perception of this program, has it been successful?

b. Are the participants using vouchers or Section 8 certificates? If using certificates, would HUD entertain the possibility of allowing the use of vouchers in this program?

Answer: Project Self-Sufficiency (PS-S) is a demonstration which uses Section 8 Existing Housing certificates as an incentive for local governments to provide a comprehensive and coordinated program of housing, child care, transportation, education, counseling, job training and placement assistance to very low-income single parents.

Its goals are to use Section 8 Existing Housing assistance as leverage for existing public and private resources, to improve the efficiency of our Section 8 Existing Housing certificates, and to bring welfare single parent heads of household to economic self-sufficiency.

The Department has initiated a three-stage evaluation of PS-S. Stage one, which focuses on early variations in progress, is in draft form. At this stage of the demonstration there is clear evidence of success in motivating communities and individuals, in leveraging existing private and public sector resources and in achieving coordination of previously fragmented service delivery systems. Already over 3,600 single parents have been selected for participation. Most demonstration sites that began the project in late 1984, at this stage, have successfully established task forces to plan and oversee the local demonstrations, completed local demonstration designs and developed Action Plans, coordinated Public Housing Agency (PHA) activities with local public and private sector resources, and are using the Section 8 Existing Housing assistance provided by HUD to leverage private resources. Single parent participant selection and job-training are well underway, and over 1,000 job placements have been made.

Early experience has also revealed that PS-S has broadened the perspective of PHA's in providing services for their clients by focusing on the total needs of the participant.

Stage two of the PS-S evaluation, to be completed in late 1986, will focus on performance in terms of resource mobilization and organizational changes. The third stage, to be completed in 1987, will permit judgments regarding the extent to which participants have been aided in moving toward or achieving self-sufficiency. In general, the PS-S evaluation will provide information on the extent of coordination at the local level; the effectiveness of public-private task forces; the success of single parents in moving toward self-sufficiency out of assistance programs and assisted housing; the extent of turnover of housing certificates; and other factors and accomplishments.

The findings from the evaluation will be used to improve the efficiency of the Section 8 Existing certificate/voucher program. They will also be used to assist other communities in setting up a local self-sufficiency program.

No additional Section 8 Existing certificates or vouchers are planned for the PS-S demonstration this year. However, if circumstances indicate that additional housing assistance may be required to enable a successful demonstration, the Department would consider making such assistance available. The decision whether to provide such assistance in the form of Section 8 Existing certificates or vouchers (or some combination thereof) would be made at that time.

Housing Voucher Research
Mr. Coughlin #5

Question: We already know that construction programs such as Section 8 are expensive. Wouldn't it have been better to make the Housing Voucher program fully operational? Why conduct more research?

Answer: The Department believes that the combination of findings from the Experimental Housing Allowance Program (EHAP) and the experience gained from the Section 8 Existing Housing Certificate Program has proven that the housing voucher concept works, that housing vouchers are less expensive than construction programs, and that the housing voucher program should be fully operational. The Congress directed us to launch the housing voucher program as a demonstration. Although we do not believe more research is needed to prove the concept, we do believe valuable information can be obtained by observing outcomes in a wide variety of places and by comparing housing vouchers with the Section 8 Existing Housing Certificate program.

Housing Voucher Research
Mr. Coughlin #6

Question: Does the Housing Voucher research cover a broad enough range of cities to offer conclusive results?

Answer: The sample of State, county and city PHA's selected to participate in the housing voucher demonstrations consists of a broad range of jurisdictions from which data are being collected. Under the Freestanding Housing Voucher Demonstration, 18 large city and 2 State PHA's were selected as representative of the universe of large city and urban county PHA's. Under the Small PHA/Rural Area Housing Voucher Demonstration, 33 small city and rural county PHA's 2 rural multi-county PHA's and 6 State PHA's were selected as representative of the universe of small city and rural county PHA's. Data analyzed from these jurisdictions in the 2 demonstrations will provide us with scientifically supportable results on housing vouchers.

Housing Voucher Demonstration
Mr. Coughlin #7

Question: What will the Housing Voucher demonstration tell us that we did not already know from past research efforts such as the Experimental Housing Allowance Program?

Answer: Not much, since the soundness of the Voucher concept has already been well established. Given the extensive experience with Section 8 Existing Certificates, and the results of the EHAP experiment, further information is not needed to reinforce this conclusion. However, because this is a Congressionally mandated demonstration, we have designed it to obtain results to overcome a concern by some policymakers of a criticism of the design of EHAP. This concern has been whether or not housing vouchers would work in many diverse jurisdictions. Under EHAP, the concept was tested in only 12 locations. The Freestanding and Small PHA/Rural Area Housing Voucher Demonstrations will provide further information on the concept of housing vouchers in a much broader range of jurisdictions. Results from these demonstrations will provide additional evidence on this concern.

The demonstration will also reveal any administrative problems that may arise with particular design features of the voucher program that were not included as part of the design of EHAP, such as portability and two payment standard adjustments within a 5-year period. Finally, because the housing voucher program differs in some key respects from the section 8 Existing Housing Certificate program, an important focus of the research in the demonstration will be a comparison of program outcomes using housing vouchers and certificates.

Congressional Justification for 1987 Estimates

March 1986

U.S. Department of Housing and Urban Development

Part 1

Departmental Summary

Housing

Public and Indian Housing

Government National Mortgage Association

Federal National Mortgage Association

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL SUMMARY
HOUSING
PUBLIC AND INDIAN HOUSING
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION

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Department of Housing and Urban Development

1987 Budget Summary

INTRODUCTION

These three volumes present the 1987 Budget estimates for the Department of Housing and Urban Development. The proposals continue the Administration's commitment to reduce the deficit and still provide adequate funding for HUD programs.

DEPARTMENT TOTALS

The total HUD budget for fiscal years 1985 and 1986, and the amount requested for fiscal year 1987 are as follows:

	Budget Authority	Outlays ($ Millions)	Full-Time Permanent Employment
1985 Actual.....................	$31,397.9	$28,720.2	11,375
1986 Estimate...................	10,713.9	15,153.9	11,183
1987 Request....................	5,535.3	13,864.3	10,795

Reflected in the above totals are sequestrations required under the Balanced Budget and Emergency Deficit Control Act of 1985. In addition, the totals reflect proposed rescissions, deferrals and other proposed supplemental reductions.

A summary of all these reductions are included on pages A-5 through A-7.

MAJOR PROGRAM CHANGES

I. Section 8, Subsidized Housing, Housing Construction

Both the 1986 revised estimate and the 1987 budget request reflect the Administration's effort to reduce the level of Federal spending and maintain an adequate level of housing assistance. Major program proposals are:

- In 1986 a program level of $3.7 billion of budget authority is proposed for 67,064 units, of which 53,864 will be incremental units. There will be 53,500 vouchers of which 50,000 will be incremental. These funds will also support amendment needs and units for loan management, property disposition, and Section 23 conversions. Of the remaining funds appropriated in 1986 or carried over, $4.8 billion is proposed for rescission, and $2.3 billion is deferred to fund Section 8 programs in 1987.

- In 1987 a program level of $2.3 billion of budget authority deferred from 1986 will support 62,500 units, of which 53,500 will be voucher units. This includes 50,000 incremental vouchers. In addition, amendments and units for loan management and property disposition will be supported.

- The Rental Housing Development Grant Program (HoDAG) will be terminated in 1986. The $75 million appropriated in 1986, including amounts sequestered, is proposed for rescission, and no funding is requested for 1987.

II. Public Housing Financing

Legislation will be proposed again for 1987 to change the method of financing Public and Indian Housing modernization and development. Although no new development units are proposed for 1987, funds are requested for modernization on a capital grant basis. Long-term commitments would no longer be made for debt service annual contributions for principal and interest payments on short-term temporary notes financed through Treasury borrowing, and permanent notes sold to the Federal Financing Bank (FFB). The reform is comprised of three phases:

- Public and Indian Housing projects modernized, starting in 1987, would be fully financed through 1-year funding of capital costs. Amendment funding would also be on a capital grant basis.

- The long-term financing commitment on the present inventory of short-term HUD-owned project notes would be eliminated. The Department has borrowed from the Treasury to retire short-term notes as they mature, with no further rollover in the private market. In 1985 HUD purchased all outstanding notes. Advances will continue to be made to support projects in the processing pipeline as a result of commitments entered through 1986. Legislation being proposed would forgive HUD debt associated with PHA and IHA notes and advances. By canceling these PHA and IHA obligations, substantial amounts of contract and budget authority would no longer be required to support future debt service payments, and these balances would be rescinded. There was a temporary increase in budget authority and outlays in 1985 because HUD purchased all outstanding short-term notes that are no longer tax exempt.

- Legislation is again being requested to forgive Treasury borrowing and accrued interest arising from redeeming outstanding notes and advances in support of pipeline activity. All pipeline activity is not expected to be completed until 1990. However, the elimination of the need to make debt service payments will reduce outlays in future years.

III. Public Housing Modernization

- A request for $225 million for emergency modernization activities is being proposed for 1987. This is equivalent to $458 million of budget authority in 1986, under the long-term amortizing method of financing currently being used.

IV. Public Housing Operating Subsidies

- An appropriation of $1.2 billion is proposed for operating subsidies in 1987. In addition, $61 million will be available from funds appropriated in 1986. This amount is net of $52.1 million of sequestered 1986 funds. This estimate is based on the Performance Funding System formula and assumes savings from a freeze on IHA and PHA personnel and related expense levels. This estimate reflects the effect of adjustments to tenant income based on changes in 1981 and 1983 legislation, and the effect of utility requirements based on a "rolling base" consumption level.

V. Federal Housing Administration (FHA) Fund

The Federal Housing Administration (FHA) Fund budget authority will decrease from $123.1 million in 1986 to $79.0 million in 1987. Outlays will reflect a net receipt increase from $1,434.3 million in 1986 to $1,910.2 million in 1987 as collections continue to exceed disbursements. Major program proposals include:

- A limit on mortgage insurance commitments of $50.9 billion. This amount is $9.1 billion less than the 1986 enacted limitation of $60.0 billion.

- An increase in single-family upfront premiums from 3.8 percent to 5.0 percent of the amount insured, which will be payable by the purchaser at loan settlement. This proposed premium fee change was recommended for 1986 but was not adopted. This proposal is again being recommended for 1987 as part of an overall Administration effort to increase fees on a wide variety of programs.

- A direct loan limitation of $73.8 million for Temporary Mortgage Assistance Payments (TMAP) for payment to lenders of principal, interest, and required mortgage escrows to provide initial assistance to 4,500 homeowners. These payments provide assistance to homeowners who have suffered temporary loss of income through uncontrollable circumstances.

- A study of the role FHA plays in the Mortgage Insurance industry. The Department plans to report to Congress early in 1987 on the relative roles of Government and private mortgage insurance.

- Legislation Reforms. The Administration is presenting several legislative proposals to Congress designed to better target FHA mortgage insurance to first time-homebuyers and inner city residents. These include making insurance unavailable to low-risk borrowers whose needs can be fully served by private insurers. These proposals would make borrowers with a gross income over $40,000, non-occupant investors, and purchasers of vacation homes or other non-primary residences ineligible for FHA single-family mortgage insurance. Furthermore, consistent with normal industry practices, legislation and regulatory changes are being proposed which would prohibit financing of mortgage insurance premiums and other closing costs.

VI. Government National Mortgage Assistance

- A Mortgage-Backed Securities program limit on new commitments is proposed at $68,250 million, the same level initially set for 1986.

- MBS guarantee fee increases are as follows: (1) a 9 basis points increase (from 6 basis points to 15 basis points) is planned to take effect for the basic MBS program in 1987; and (2) a 5 basis points increase (from 15 basis points to 20 basis points) in fees to take effect for the basic MBS program for 1988. Similar fee increases are proposed for mortgage-backed securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

VII. Solar Bank

- No appropriation was provided for the Solar Bank program in 1986 and none is requested for 1987. The authorization for the Solar Bank will expire at the end of 1987 and the Budget assumes that $36 million of prior commitments will be disbursed in 1986 and $8.8 million in 1987.

VIII. Community Planning and Development

Community Planning and Development (CPD) program budget authority will decrease from $3,219.2 million in 1986 to $2,210.9 million in 1987; outlays will decrease from $4,265.5 million in 1986 to $3,579.2 million in 1987.

The major program proposals are:

- A $500 million deferral of Community Development Block Grant (CDBG) funds from 1986 for use in 1987 which, together with a 1987 appropriation of $2,124.8 million, would make $2,624.8 million available for allocation in 1987;

- A change in the percentage distribution of CDBG funds between the entitlement and State block grant (Small Cities) programs from 70/30 percent to 65/35 percent;

- A change in the legislation governing the distribution of funds to entitled areas, whereby cities and urban counties with the greatest need will receive a greater share of funds.

- Termination in 1986 of the Urban Development Action Grant (UDAG) and Rental Rehabilitation Grant programs;

- Termination of the Section 312 Rehabilitation Loan and Section 108 Loan Guarantee programs; and

- Funding of the Urban Homesteading program at $12 million.

IX. Policy Development and Research

- Budget authority for research studies and housing data surveys will increase from $16.9 million in 1986 to $18.9 million in 1987. Research outlays will increase slightly from $16.9 million to $17.1 million. In 1987, research efforts will focus on the efficiency and equity of HUD programs and identify ways to achieve cost reductions in the Department's housing programs.

X. Fair Housing and Equal Opportunity

A major new fair housing and equal opportunity program is re-proposed for 1987. Budget authority will increase from $6.3 million in 1986 to $12 million in 1987. Outlays will increase also from $8.4 million in 1986 to $11.2 million in 1987. The major program proposals are:

- A new "Fair Housing Initiatives" program to be funded at a level of $7 million in 1987 as part of an expanded, national effort to join public and private sector efforts in the fight against housing discrimination;
- Funding of the existing Fair Housing Assistance Program at $5 million, emphasizing reimbursement to States and local agencies for processing discrimination complaints, under Title VIII of the Civil Rights Act of 1968. Some activities formerly funded under the $6.3 million provided for this program in 1986 would be fundable under the new program.

XI. Staffing and Related Expenses

The major proposals for 1987 include:

- A staff reduction of 388 full-time permanent positions--from 11,183 to 10,795--due principally to reduced program levels and increased productivity; and
- A funding increase of $13.0 million--from $571.5 million to $584.5 million--principally for additional automated data processing support and anticipated space rental rate increases.

HUD Budget Summary

SEQUESTRATIONS UNDER THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

Program	Budget Authority	Outlays	
	1986	1986	1987
	(In Thousands of Dollars)		
HOUSING			
Subsidized Housing Programs	$422,071	$408	$7,898
Rental Housing Development Grants (HODAG)	3,225	323	1,600
Mortgage Insurance Programs:			
Administrative Expenses	[10,810]	10,386	424
Federal Credit Limitation	[2,580,000]	...	...
TMAP Limitation	[3,794]	...	...
Housing for the Elderly or Handicapped:			
Budget Authority	22,422	168	4,679
Gross Loan Limitation	[27,134]	...	...
Housing Counseling Assistance	149	...	82
Congregate Housing Services	115	...	46
Nonprofit Sponsor Assistance-Loan Limitation	[43]	13	22
Manufactured Housing (Transfer to S&E)	...	247	12
Interstate Land Sales (Transfer to S&E)	...	34	...
Rental Housing Assistance Fund	...	108	...
Total Housing	447,982	11,687	14,763
PUBLIC AND INDIAN HOUSING			
Public Housing Operating Subsidies	52,056	...	26,028
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Mortgage-Backed Securities:			
Administrative Expenses	[118]	109	9
Federal Credit Limitation	[2,934,750]	...	...
Management and Liquidation Functions Fund-Administrative Expenses a/	...	45	...
SOLAR ENERGY AND ENERGY CONSERVATION BANK			
Assistance for Solar and Conservation Improvements (Administrative Expenses)	...	12	...
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants	134,366	2,687	51,059
Section 108 Loan Guarantees:			
Federal Credit Limitation	[9,569]	...	...
FFB Direct Loans	...	...	4,500
Urban Development Action Grants	14,190	710	2,840
Rental Rehabilitation Grants	3,225	1,612	1,613
Urban Homesteading	510	381	129
Rehabilitation Loan Fund:			
Loan Obligation Limitation	[3,655]	3,255	1,247
Administrative Expenses a/	[847]	...	...
Total CPD	152,291	8,645	61,388
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	727	218	291
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	285	58	150

HUD Budget Summary

SEQUESTRATIONS UNDER THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

Program	Budget Authority 1986	Outlays	
		1986	1987
	(In Thousands of Dollars)		
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD:			
Management and Administration	$14,466	$11,970	$2,496
Transfer from Other HUD Accounts Above	[10,810]	[10,386]	[424]
Total S&E, HUD	[25,276]	[22,356]	[2,920]
GRAND TOTAL	667,807	32,745	105,125

a/ Shown in Budget but deleted in GAO Report.

SUMMARY OF PROPOSED RESCISSIONS, DEFERRALS, AND OTHER REDUCTIONS

Fiscal Year 1986

The fiscal year 1987 Budget includes the following proposed rescissions and deferrals related to fiscal year 1986 appropriations, and other proposed supplemental reductions:

Program	(Thousand of Dollars)
Rescission Actions	
Subsidized Housing Programs	$4,269,881 a/
Rental Housing Development Grants	71,775 b/
Rental Rehabilitation Grants	71,775
Housing Counseling Assistance	3,313
Congregate Services	2,555
Urban Development Action Grants	206,378 c/
Total, Rescissions of 1986 Authority	4,625,677
Deferral Actions	
Annual Contributions for Assisted Housing	$2,300,805
Community Development Grants	500,000
Total, Deferral of 1986 Authority	2,800,805
Supplemental Loan Limitation Reductions	
Housing for the Elderly or Handicapped	$549,257
Nonprofit Sponsor Assistance (Section 106)	457
Section 108 Loan Guarantees	162,956
Rehabilitation Loan Fund (Section 312)	70,345
Total, Supplemental Loan Limitation Reductions	783,015
Other Supplemental Limitations Reductions d/	
Rent Supplement	$1,158,920
Rental Housing Assistance (Section 236)	283,584
Total, Supplemental Limitation Reductions	1,442,504

a/ Excludes rescission of $537,525 thousand of authority approved in prior years.
b/ Excludes rescission of $2,080 thousand of prior year appropriations.
c/ Excludes rescission of $13,684 thousand of prior year appropriations.
d/ Represents routine rescission of unobligated balances created, primarily, by conversions to Section 8.

TABLE I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	ACTUAL 1985	ESTIMATE 1986 a/	ESTIMATE 1987
		(Dollars in Thousands)	
HOUSING			
Annual Contributions for Assisted Housing			
Reservations (Units-Gross Basis):			
Incremental Units			
Housing Vouchers	38,142	50,000	50,000
Section 202	12,639	100	...
Section 8 Existing	36,513	2,300	...
Moderate Rehabilitation	4,902	1,114	...
Total, Incremental	92,196	53,514	50,000
All Other Units			
Voucher Opt Outs and Public Housing Demolitions	222	3,500	3,500
Section 8 Loan Management, Property Disposition and Conversions	25,432	9,700	9,000
Total, Other	25,654	13,200	12,500
Total, Reservations	117,850	66,714	62,500
Use of Contract Authority:			
Section 8:			
Section 202	$85,330	$12,140	$4,500
Existing Certificates	177,020	12,298	...
Housing Vouchers	153,953	223,042	212,341
Rent Supplement, Rental Assistance (Section 236) and Section 23 Conversions	47,050	2,358	...
Loan Management/Property Disposition	46,884	42,820	37,380
Moderate Rehabilitation	27,664	6,857	...
Amendments	99,180	218,746	99,680
Total, Contract Authority	637,081	518,261	353,901
Use of Budget Authority:			
Section 8:			
Section 202	1,703,076	242,810	90,000
Existing Certificates	2,654,250	184,462	...
Housing Vouchers	769,709	1,115,208	1,061,707
Rent Supplement, Rental Assistance (Section 236) and Section 23 Conversions	706,176	35,374	...
Loan Management/Property Disposition	516,335	462,100	380,500
Moderate Rehabilitation	414,959	102,854	...
Amendments	408,960	840,285	468,398
Total, Budget Authority	7,173,465	2,983,093	2,000,605
Rental Housing Development Grants			
Obligations	314,600	320	...
Number of Units Assisted	16,229	22	...
Housing Payments			
Units Eligible for Payment, end of year	3,943,238	4,058,000	4,176,000
Appropriation to Liquidate Contract Authority	$11,736,483	$12,511,619	$12,476,214
Impact of:			
Sequestration	NA	-408	-7,898
Proposed Rescission	NA	408	8,398
Proposed Legislation	NA	-720,600	-1,719,500
Net Appropriation	11,736,483	11,791,019	10,757,214
Section 235 Homeownership Assistance			
1975 Court Ordered Obligations:			
Contract Authority Used (net)	-6,492	400	...
Budget Authority Used (net)	-194,764	12,000	...
Unit Reservations (net)	-84	100 b/	...

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	ACTUAL 1985	ESTIMATE 1986 a/	ESTIMATE 1987
	(Dollars in Thousands)		
1981 Appropriation:			
Contract Authority Used	$1,050	$1,375	...
Budget Authority Used	31,506	41,256 c/	...
Unit Reservations	-31	...	...
Restructured Program:			
Contract Authority Used	$14,840	160	...
Budget Authority Used	148,402	1,598	...
Unit Reservations	4,701	50	...
Section 236 Rental Housing Assistance			
Use of Contract Authority	$3,555	$9,037	$2,004
Obligations (Gross)	103,103	227,220	54,108
Estimated Rescission:			
Contract Authority	-14,936	-12,128	-3,500
Budget Authority	-433,156	-339,584	-54,000
Rent Supplement			
Use of Contract Authority	5,522	4,645	1,713
Use of Budget Authority	78,679	51,760	46,251
Estimated Rescission:			
Contract Authority	-18,777	-41,390	-2,900
Budget Authority	-422,083	-1,158,920	...
Troubled Projects (Flexible Subsidy) Program			
Obligations	27,859	52,300	53,800
Projects Assisted	69	158	152
Mortgage Insurance Programs			
Unit Applications:			
Home Mortgages	866,294	900,000	625,500
Multifamily	83,792	83,800	83,800
Total, Applications	950,086	983,800	709,300
Federal Credit Limitation	$50,900,000	$57,420,000	$50,900,000
Insurance Commitments (Use)	-47,440,726	-49,335,757	-37,163,800
Unused Balance	3,459,274	8,084,243	13,736,200
Mortgage Assignments (Units):			
Homes	6,672	4,360	1,400
Multifamily	3,068	4,550 d/	3,770
Total, Assignments	9,740	8,910	5,170 d/
Dollar Value of Assignments and Section 221(g)(4) Claims	$246,963	$232,082	$118,021
Property Sales (Units):			
Homes	38,035	45,500	42,000
Multifamily	4,958	11,702	7,852
Total, Sales	42,993	57,202	49,852
Direct Acquisitions and Foreclosures (Units):			
Homes	45,439	43,177	38,656
Multifamily	5,769	7,800	7,930
Total, Acquisitions	51,208	50,977	46,586
Dollar Value of Direct Acquisitions	$1,923,593	$1,989,847	$1,854,068

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

(Dollars in Thousands)

	ACTUAL 1985	ESTIMATE 1986 a/	ESTIMATE 1987
Proceeds from Sale of Assets:			
Acquired Properties	$1,266,574	$1,653,894	$1,670,145
Auction of Current Multifamily Mortgages	NA	NA	210,000
Sale of Section 221(g)(4) Mortgages	NA	15,334	22,019
Total Proceeds	1,266,574	1,669,228	1,902,164
Mortgage Insurance in Force, end of year	189,539,542	215,372,063	233,958,938
Insurance Written:			
Single-Family	19,129,785	32,233,257	27,137,900
Multifamily	2,805,579	3,243,897	3,090,882
Total	21,935,364	35,477,154	30,228,782
Title I Loans Insured:			
Number of Notes	191,837	200,000	205,000
Insurance Written	$1,298,846	$1,432,500	$1,559,500
Title I Insurance-in-Force, end of year	5,940,000	6,041,000	6,285,000
Temporary Mortgage Assistance Payments (TMAP):			
Limitation	65,448	84,447	73,800
Obligations	...	-26,240	-73,800
Unused balance	65,448	58,207	...
Housing for the Elderly or Handicapped			
Units Approved	12,639	100	...
Loan Reservations	$596,950	$54,642	30,262
Federal Credit Limitation:			
Loan Limitation available	600,000	54,642	30,262
Nonprofit Sponsor Assistance			
Federal Credit Limitation (Gross Obligations)	1,880	500	...
Loan Approvals	464	500	...
Number of Loans	22	10	...
Congregate Services Program			
Obligations, Net	$1,728	$2,890	...
Housing Counseling Assistance			
Number of Clients Counseled	35,000	...	...
HUD-approved Counseling Agencies	610	550	550
HUD-funded Counseling Agencies	205	...	...
Obligations	$3,490	...	...
Manufactured Home Inspection and Monitoring			
State Plans Approved	35	35	35
Manufactured Homes Produced	284,236	290,000	290,000
Transportable Units Produced	380,458	377,000	377,000
Obligations	$5,926	$6,375	$7,107
Interstate Land Sales			
Total Number of Filings	2,219	1,800	1,800
PUBLIC AND INDIAN HOUSING			
Annual Contributions for Assisted Housing			
Unit Reservations (Gross):			
Public Housing	5,448	350	...
Indian Housing	2,178	...	...
Total, Unit Reservations	7,626	350	...

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	ACTUAL 1985	ESTIMATE 1986 a/ (Dollars in Thousands)	ESTIMATE 1987
Use of Contract Authority (Development):			
Public and Indian Housing:			
Conventional	$31,358	$2,691	NA
Indian Housing	11,170	...	NA
Accounting Adjustments	14,464	...	NA
Amendments	8,480	6,897	NA
Lease Adjustments	19,264	19,200	NA
Total, Contract Authority	84,736	28,788	NA
Use of Budget Authority (Development):			
Public Housing	940,748	80,731	...
Indian Housing	290,151	...	...
Accounting Adjustments	333,297	...	...
Amendments	273,112	200,000	$58,900
Lease Adjustments	19,264	19,200	16,300
Total, Budget Authority	1,856,573	299,931	75,200
Modernization:			
Contract Authority	83,816	22,916	NA
Obligations	1,676,441	458,325	225,000
Capital Costs Financed	822,921	225,000	225,000 e/
Payments for Operation of Low-Income Housing Projects			
Obligations	1,230,880	1,360,400	1,232,844
Budget Authority Available:			
From Appropriations	1,138,500	1,210,600	1,171,543
From Reappropriations	355,538	263,157	...
Sequestration	NA	-52,056	NA
Unobligated Balance from 1986	NA	NA	61,301
Net Budget Authority Available	1,494,038	1,421,701	1,232,844
Low-Rent Public Housing Loan Fund			
Loans to Public Housing Agencies:			
Direct loans	14,064,572	1,458,700	1,721,500
Payments to Federal Financing Bank	144,230	141,824	140,700
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Management and Liquidating Functions Fund f/			
Purchases	454,750	351,197	163,128
Sales	1,119,163	946,902	735,000
Guarantees of Mortgage-Backed Securities			
Federal Credit Limitation	68,250,000	65,315,250	68,250,000
Commitments (Obligations)	54,597,400	60,463,480	55,356,880
Guarantees:			
Issued in year	36,277,174	43,188,200	39,540,628
Outstanding, end of year	201,025,661	234,680,568	265,458,085
Participation Sales Fund			
Certificates Outstanding, end of year	2,165,000	2,165,000	1,965,000
SOLAR ENERGY AND ENERGY CONSERVATION BANK			
Assistance for Solar and Conservation Improvements			
Obligations	32,983	9,929	...

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	ACTUAL 1985	ESTIMATE 1986 a/	ESTIMATE 1987
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants			
Obligations	$3,513,868	$2,496,085	$2,629,800
(Neighborhood Development Demonstration)	(1,659)	(341)	(...)
Appropriations	3,472,000	2,990,434 g/	2,124,800
Section 108 Loan Guarantees:			
Federal Credit Limitation (Commitments)	225,000	50,000	...
Commitment Amount	133,475	50,000	...
Number of Commitments	63	16	...
FFB Direct Loan Obligations	$102,579	$108,000	73,000
Urban Development Action Grants			
Number of Grant Agreements Executed	373	170	...
Obligations	$559,301	$249,747	...
Appropriations	440,000	109,432	...
Rental Rehabilitation Grants			
Obligations	152,596	12,471	...
Number of Units to be Rehabilitated (Estimate)	40,000	...	...
Rehabilitation Loans (Section 312)			
Obligations:			
Single-Family	$58,204	NA	...
Multifamily and Nonresidential	16,803	NA	...
Total	75,007	11,000 h/	... i/
Units Supported:			
Single-Family	4,060	NA	...
Multifamily	308	NA	...
Total	4,368	NA h/	...
Urban Homesteading			
Localities with Programs	111	115	115
Number of Properties Conveyed:			
Federal	545	902	800
Local	7 j/	161	...
Total Properties	552	1,063	800
Reimbursement to FHA and Other Federal Agencies	$9,320	$13,082	$12,000
State and Local Government Assistance	2,000 j/	...	...
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology (Obligations)			
Housing Programs	2,351	2,307	3,900
Safety and Standards	693	595	400
Housing Markets	13,020	10,748	13,165
Fair Housing	50	200	400
Community and Urban Development	486	210	100
Local Government Management	202	80	300
Research Support	1,530	1,639	1,200
Total, Obligations	18,332	15,779	19,465

TABLE I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	ACTUAL 1985	ESTIMATE 1986 a/	ESTIMATE 1987
		(Dollars in Thousands)	
FAIR HOUSING AND EQUAL OPPORTUNITY			
Title VIII Complaints Processed			
By HUD	1,650	1,940	2,040
By States and Localities	2,462	2,910	3,060
Total Processed	4,112	4,850	5,100
HUD Program Compliance Review			
Title VI/Section 109	141	NA	NA
Agencies/Communities Assisted	NA	133	133
Fair Housing Assistance Program			
Assistance to State and Local Agencies:			
Number	115	130	110
Obligations	$3,206	$8,541	$4,000
Assistance to Community Housing Resource Boards (CHRBs):			
Number	82	92	50
Obligations	$1,544	$2,615	$1,000
Fair Housing Initiatives Program			
Number of Awards	NA	NA	190
Obligations	NA	NA	$7,000

a/ Net of Gramm-Rudman-Hollings reductions and other reductions, rescissions, and deferrals.

b/ Pursuant to a recent court order.

c/ For amendments only.

d/ Excludes 2,210 Section 221(g)(4) multifamily unit claims to be serviced by GNMA in 1986 and 3,900 in 1987.

e/ Proposed on a capital grant basis in 1987.

f/ Includes activity in former "tandem programs" Special Assistance Functions (SAF) and Emergency Mortgage Purchase Assistance (EMPA).

g/ Includes $500 million deferred to 1987.

h/ The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) prohibits funding based on unit size or the receipt of assistance for housing or community development by a locality. Thus, it is not possible to estimate the 1986 obligations or units by a single-family/multifamily mix.

i/ Assets and liabilities of the Rehabilitation Loan Fund (Section 312) are proposed for transfer to the Revolving Fund (Liquidating Programs).

j/ Set-aside of $2.0 million obligated; $74 thousand drawn down for 7 properties, and the balance will be drawn down in 1986.

TABLE II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987
(Based on House Subcommittee Print)

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
HOUSING			
Subsidized Housing Programs:			
Current Budget Authority	$ 10,759,483	$ 9,815,608	$ 0
Sequestration	NA	(422,071)	NA
Subtotal	10,759,483	9,393,537 a/	0
Contract Authority	[847,525]	[838,803]	[0]
Housing Payments (Liquidation of Contract Authority)	[11,736,483]	[11,791,019]	[10,757,216]
Rent Supplement:			
Rescission of Recaptured Authority	[(422,083)]	[0]	[0]
Rental Housing Assistance (Section 236):			
Rescission of Recaptured Authority	[(433,156)]	[(56,000)]	[0]
Rental Housing Development Grants	0	75,000	0
Sequestration	NA	(3,225)	NA
Subtotal	0	71,775	0
Mortgage Insurance Programs:			
Net Borrowings	(307,297)	(165,375)	(245,915)
Debentures Issued	19,126	48,693	51,946
Appropriations	387,683	239,762	272,955
Subtotal, Mortage Insurance Programs	99,512	123,080	78,986
Federal Credit Limitation	[50,900,000]	[60,000,000]	[50,900,000]
Sequestration	NA	[(2,580,000)]	NA
Subtotal	[50,900,000]	[57,420,000]	[50,900,000]
Housing Counseling Assistance	3,500	3,462	0
Sequestration	NA	(149)	NA
Subtotal	3,500	3,313	0
Housing for the Elderly or Handicapped:			
Section 202 (Borrowing Authority)	503,713	525,939	0
Sequestration	NA	(22,422)	NA
Subtotal	503,713	503,517	0
Loan Limitation	[600,000]	[631,033]	[30,262]
Sequestration	[NA]	[(27,134)]	[NA]
Subtotal	[600,000]	[603,899]	[30,262]
Congregate Services	4,144	2,670	0
Sequestration	NA	(115)	NA
Subtotal	4,144	2,555	0

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987
(Based on House Subcommittee Print)

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
Nonprofit Sponsor Assistance [Loan Limitation	[$1,880]	[$1,000]	[$0]
Sequestration..............................	[NA]	[(43)]	[NA]
Subtotal................................	[1,880]	[957]	[0]
Subtotal, Housing.........................	11,370,352	10,097,777	78,986
PUBLIC AND INDIAN HOUSING			
Public Housing Operating Subsidies:			
Appropriation..............................	1,138,500	1,210,600	1,171,543
Sequestration..............................	NA	(52,056)	NA
Subtotal................................	1,138,500	1,158,544	1,171,543
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Mortgage-Backed Securities:			
[Federal Credit Commitment Level]..........	[68,250,000]	[68,250,000]	[68,250,000]
Sequestration..............................	[NA]	[(2,934,750)]	[NA]
Subtotal................................	[68,250,000]	[65,315,250]	[68,250,000]
Payment of Participation Sales Insufficiences............................	745	0	1,079
SOLAR ENERGY AND ENERGY CONSERVATION BANK			
Assistance for Solar and Conservation Improvements................................	15,000	0	0
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants...........	3,472,000	3,124,800	2,124,800
Sequestration..............................	NA	(134,366)	NA
Subtotal................................	3,472,000	2,990,434 b/	2,124,800
Section 108 Loan Guarantees:			
Federal Credit Limitation................	[225,000]	[222,525]	[0]
Sequestration..........................	NA	[(9,569)]	[NA]
Subtotal................................	[225,000]	[212,956]	[0]

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987
(Based on House Subcommittee Print)

	1985 Actual	1986 Estimate	1987 Estimate
	(Dollars in Thousands)		
Urban Development Action Grants..............	$440,000	$330,000	$0
Sequestration..............................	NA	(14,190)	NA
Subtotal..............................	440,000	315,810	0
Urban Homesteading..........................	12,000	11,868	12,000
Sequestration..............................	NA	(510)	NA
Subtotal..............................	12,000	11,358	12,000
Rental Rehabilitation Grants................	0	75,000	0
Sequestration..............................	NA	(3,225)	NA
Subtotal..............................	0	71,775	0
Rehabilitation Loans (Section 312): [Gross Loan Obligations]....................	[75,007]	[85,000]	[0]
Sequestration..............................	[NA]	[(3,655)]	[NA]
Subtotal..............................	[75,007]	[81,345]	[0]
Subtotal, CPD....	3,924,000	3,389,377	2,136,800
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.....................	16,900	16,900	18,900
Sequestration..............................	NA	(727)	NA
Subtotal..............................	16,900	16,173	18,900
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	6,700	6,626	5,000
Sequestration..............................	NA	(285)	NA
Subtotal..............................	6,700	6,341	5,000
Fair Housing Initiatives Program (Proposed Legislation)..............................	0	0	7,000
Subtotal, FHEO..........................	6,700	6,341	12,000
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD..................	288,316	336,427	314,056
Sequestration..............................	NA	(14,466)	NA
Transfer From FHA Funds.....................	[281,912]	[251,404]	[259,783]
Sequestration..............................	NA	[(10,810)]	[NA]
Subtotal, Salaries and Expenses..........	[570,228]	[562,555]	[573,839]
Total, Budget Authority..................	16,760,513	14,990,173	3,733,364

TABLE II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987
(Based on House Subcommittee Print)

(Dollars in Thousands)

	1985 Actual	1986 Estimate	1987 Estimate
RECONCILIATION TO TOTAL HUD BUDGET AUTHORITY			
ADD:			
Permanent Budget Authority:			
Manufactured Home Inspection and Monitoring (Indefinite)	$5,335	$6,032	$6,032
Interstate Land Sales Registration (Indefinite)	574	800	1,400
Public Housing Loan Fund (Auth. to Borrow)	14,265,738	1,237,500	1,365,800
FFB Direct Loans	102,579	108,000	155,000
Sequestration	NA	0	(4,600)
Subtotal	102,579	108,000	150,400
Gifts and Bequests	0	5	5
Reappropriation:			
Public Housing Operating Subsidies	263,157	NA	NA
SUBTRACT or ADD:			
Proposed Legislation:			
Public Housing Loan Fund	NA	(499,400)	355,700
Pending Rescissions:			
Subsidized Housing Programs	NA	(4,269,881)	NA
Rental Housing Development Grants	NA	(71,775)	NA
Rental Rehabilitation Grants	NA	(71,775)	NA
Housing Counseling Assistance	NA	(3,313)	NA
Congregate Services	NA	(2,555)	NA
Urban Development Action Grants	NA	(206,378)	NA

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
Proposed Supplementals:			
Housing Payments (Liquidation of Contract Authority)................................	[NA]	[$(720,600)]	[$(1,719,500)]
Rent Supplement..............................	[NA]	[(1,158,920)]	[NA]
Rental Housing Assistance (Section 236)....	[NA]	[(283,584)]	[NA]
Housing for the Elderly or Handicapped:			
Section 202 (Budget Authority)............	NA	(503,517)	NA
Loan Limitation...........................	[NA]	[(549,257)]	[NA]
Nonprofit Sponsor Assistance [Loan Limitation]................................	[NA]	[(467)]	[NA]
Section 108 Loan Guarantees:			
Federal Credit Limitation................	[NA]	[(162,956)]	[NA]
FFB Direct Loans..........................	NA	0	(77,400)
Rehabilitation Loans (Section 312).........	[NA]	[(70,345)]	[NA]
Total, HUD.c/...........................	$31,397,896	10,713,916	5,535,301

FOOTNOTES

a/ Includes $2.301 Billion to be deferred to FY 1987.
b/ Includes $500 million to be deferred to FY 1987.
c/ Totals do not add due to rounding.

TABLE III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
HOUSING			
Housing Payments	$9,993,980	$10,641,819	$10,656,216
Sequestration	NA	(408)	(7,898)
Proposed Legislation	NA	(720,600)	(1,719,500)
Rescission	NA	408	8,398
Subtotal	9,993,980	9,921,219	8,937,216
Rental Housing Development Grants	721	110,500	142,500
Sequestration	NA	(320)	(1,613)
Rescission	NA	(7,180)	(35,887)
Subtotal	721	103,000	105,000
Troubled Projects (Flexible Subsidy)	(26,617)	21,700	(13,500)
Rental Housing Assistance Fund	7,404	2,500	(2,000)
Sequestration	NA	(108)	0
Subtotal	7,404	2,392	(2,000)
Congregate Services	4,647	5,900	6,368
Sequestration	NA	0	(46)
Rescission	NA	0	(1,022)
Subtotal	4,647	5,900	5,300
Mortgage Insurance Programs	(653,669)	(1,423,957)	(1,909,775)
Sequestration of Administrative Expenses	NA	(10,386)	(424)
Subtotal	(653,669)	(1,434,343)	(1,910,199)
Housing for the Elderly or Handicapped: (Section 202)	500,970	490,248	502,389
Sequestration	NA	(168)	(4,679)
Supplemental Reduction	NA	(75)	(112,744)
Subtotal	500,970	490,005	384,966
Nonprofit Sponsor Assistance	(236)	(150)	(120)
Sequestration	NA	(13)	(22)
Supplemental Reduction	NA	(117)	(190)
Subtotal	(236)	(280)	(332)
Housing Counseling Assistance	3,357	3,500	3,500
Sequestration	NA	0	(82)
Rescission	NA	0	(3,113)a/
Subtotal	3,357	3,500	305

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
Manufactured Home Inspection and Monitoring...	$6,155	$6,634	$6,730
Sequestration................................	NA	(247)	(12)
Proposed Legislation.........................	NA	NA	377
Subtotal.....................................	6,155	6,387	7,095
Interstate Land Sales Registration............	569	812	1,400
Sequestration................................	NA	(34)	0
Subtotal.....................................	569	778	1,400
Community Disposal Operations Fund............	(200)	(149)	(119)
Subtotal, Housing........................	9,837,081	9,120,109	7,515,132
PUBLIC AND INDIAN HOUSING			
Public Housing Operating Subsidies............	1,205,020	1,337,000	1,323,000
Sequestration................................	NA	0	(26,028)
Subtotal.....................................	1,205,020	1,337,000	1,296,972
Public Housing Loan Fund:			
Federal Financing Bank Payments..............	144,230	141,900	140,700
Direct Loans and Other Expenses..............	13,741,182	1,237,500	1,365,800
Proposed Legislation.........................	NA	(499,400)	355,700
Subtotal, PHLF...........................	13,885,412	880,000	1,862,200
Federal Financing Bank Direct Loans.........	(32,327)	(34,743)	(36,980)
Subtotal, Public and Indian Housing.....	15,058,105	2,182,257	3,122,192
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Management and Liquidating Functions..........	(553,601)	(429,715)	(409,612)
Sequestration................................	NA	(45)	0
Subtotal.....................................	(553,601)	(429,760)	(409,612)
Guarantees of Mortgage-Backed Securities......	(234,009)	(267,920)	(323,785)
Sequestration................................	NA	(109)	(9)
Subtotal.....................................	(234,009)	(268,029)	(323,794)
Participation Sales Fund......................	(102,949)	(95,678)	28,508
Subtotal, GNMA...........................	(890,559)	(793,467)	(704,898)

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
SOLAR ENERGY AND ENERGY CONSERVATION BANK			
Assistance for Solar and Conservation Improvements	$26,956	$36,000	$8,806
Sequestration	NA	(12)	0
Subtotal	26,956	35,988	8,806
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants	3,816,865	3,577,400	3,150,000
Sequestration	NA	(2,687)	(51,059)
Subtotal	3,816,865	3,574,713	3,098,941
Section 108 Loan Guarantees:			
FFB Direct Loans	81,089	46,000	81,000
Sequestration	NA	0	(4,500)
Supplemental Reduction	NA	0	(76,500)
Subtotal	81,089	46,000	0
Urban Development Action Grants	496,685	500,000	460,000
Sequestration	NA	(710)	(2,840)
Rescission	NA	(10,990)	(44,010)
Subtotal	496,685	488,300	413,150
Rehabilitation Loans (Section 312)	(8,738)	39,795	(38,624)
Sequestration	NA	(3,255)	(1,247)
Supplemental Reduction	NA	(39,929)	(25,053)
Subtotal	(8,738)	(3,389)	(64,924)
Urban Homesteading	12,205	15,698	15,000
Sequestration	NA	(381)	(129)
Subtotal	12,205	15,317	14,871
Urban Renewal Program	6,587	34,603	[12,451] b/
Rental Rehabilitation Grants	14,371	177,500	173,129
Sequestration	NA	(1,612)	(1,613)
Rescission	NA	(35,888)	(35,887)
Subtotal	14,371	140,000	135,629
Revolving Fund (Liquidating Programs)	(28,822)	(29,616)	(16,949)
FFB Direct Loans	0	(1,300)	(1,625)
Neighborhood Self-Help Development	0	15	0
Planning Assistance	(124)	517	0
Miscellaneous Appropriations	(452)	379	0
Subtotal, CPD	4,389,666	4,265,539	3,579,093

TABLE III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1985-1987

	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)	
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	$18,399	$17,095	$17,405
Sequestration	NA	(218)	(291)
Subtotal	18,399	16,877	17,114
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	5,462	8,500	7,100
Sequestration	NA	(58)	(150)
Subtotal	5,462	8,442	6,950
Fair Housing Initiatives Program	NA	NA	4,200
Subtotal, FHEO	5,462	8,442	11,150
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD	276,582	329,868	318,197
Sequestration	NA	(11,970)	(2,496)
Working Capital Fund	(2,139)	0	0
Gifts and Bequests	0	5	5
Subtotal, Departmental Management	274,443	317,903	315,706
New Community Assistance Grants	661	225	0
Total, HUD c/	28,720,214	15,153,873	13,864,295

FOOTNOTE

a/ This figure corrects the amount shown in the Budget.
b/ Included in the Revolving Fund (Liquidating Programs).
c/ Totals may not add due to rounding.
NA= Not Applicable

TABLE IV

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY AND OUTLAYS BY FUNCTIONS
FISCAL YEARS 1985 - 1987

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
			(Dollars in Thousands)			
ENERGY (Code 272)						
Solar Energy and Energy Conservation Bank:						
Assistance for solar and conservation improvements	$15,000	...	...	$26,956	$35,988	$8,806
COMMERCE AND HOUSING CREDIT (Code 371)						
Mortgage credit and thrift insurance:						
Mortgage insurance programs - FHA Fund	99,512	$123,080	$78,986	-653,669	-1,434,343	-1,910,199
Housing for elderly or handicapped	503,713	...	...	500,970	490,005	384,966
Government National Mortgage Association:						
M&L, MBS, Payment of part. sales insufficiencies, and part sales fund	255	...	...	-824,509	-733,138	-757,282
Subtotal, Mortgage Credit	603,480	123,080	78,986	-977,208	-1,677,476	-2,282,515
Other subfunctions (Code 376):						
Manufactured housing, Interstate land sales, and Part. sales fund	5,909	6,832	7,432	-7,743	-6,384	97,238
Subtotal, Commerce and Housing	609,389	129,912	86,418	-984,951	-1,683,860	-2,185,277
COMMUNITY AND REGIONAL DEVELOPMENT (Code 451)						
Community development:						
Community development grants	3,472,000	2,990,434	2,124,800	3,816,865	3,574,713	3,098,941
Section 108 Loan Guarantees:						
FFB Direct Loans	102,579	108,000	73,000	81,089	46,000	...
Urban development action grants	440,000	109,432	...	496,685	488,300	413,150
Rehabilitation loans	...	...	...	-8,738	-3,389	-64,924
Urban homesteading	12,000	11,358	12,000	12,205	15,317	14,871
Research and technology	16,900	16,173	18,900	18,399	16,877	17,114
Rental rehabilitation grants	...	...	...	14,371	140,000	135,629
Rental housing development grants	...	...	...	721	103,000	105,000

TABLE IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY AND OUTLAYS BY FUNCTIONS
FISCAL YEARS 1985 - 1987

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)					
COMMUNITY AND REGIONAL DEVELOPMENT (cont.)						
Other subfunctions: Working capital fund, Liquidating progs., Urban renewal, Misc. appro. S&E, Comm. disp., Planning asst., Neighborhood self-help, New comm. grants, and PSF	$192,985	$189,652	$194,546	$123,464	$164,668	$149,431
Subtotal, Community and Regional Development	4,236,424	3,425,049	2,423,246	4,555,061	4,545,486	3,869,212
EDUCATION, TRAINING, EMPLOYMENT, SOCIAL SERVICES AND HEALTH (Codes 502, 506 and 552)						
Housing counseling and Part. sales fund	3,500	...	...	-24,829	-21,638	-15,255
INCOME SECURITY (Code 604)						
Public Assistance and Other Income Supplement:						
Annual contributions for assisted housing	10,759,483	5,123,656	...	9,993,980	9,921,219	8,937,216
Payments for operation of low-income housing projects	1,401,657	1,158,544	1,171,543	1,205,020	1,337,000	1,296,972
Low-Rent public housing	14,265,738	738,100	1,721,500	13,885,412	880,000	1,862,200
Low-Rent public housing, FFB direct loans	...	...	...	-32,327	-34,743	-36,980
Troubled projects (Flexible subsidy)	...	...	...	-26,617	21,700	-13,500
Other: S&E, Congregate services, Nonprofit sponsor assistance, Rental housing assistance fund	74,311	106,972	92,826	128,533	152,499	138,361
Subtotal, Income Security	26,501,189	7,127,272	2,985,869	25,154,001	12,277,675	12,184,269
VETERANS BENEFITS AND SERVICES (Code 704)						
Participation sales fund	...	...	...	-23,655	-21,744	-23,576
ADMINISTRATION OF JUSTICE (Code 751)						
FHEO and S&E	32,394	31,683	39,768	17,631	21,966	25,916
Total, HUD	31,397,896	10,713,916	5,535,301	28,720,214	15,153,873	13,864,095

TABLE V

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY
LONG RANGE PROJECTIONS--FISCAL YEARS 1988-1991

	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
	(Dollars in Thousands)			
HOUSING PROGRAMS				
Annual Contributions for Assisted Housing......	$3,000,315	$2,859,733	$ 3,293,772	$9,594,591
Federal Housing Administration Fund............	457,636	686,470	875,352	931,852
Manufactured Home Inspection and Monitoring....	6,032	6,032	6,306	6,750
Interstate Land Sales Registration.............	1,400	1,400	1,400	1,400
Subtotal, Housing..........................	3,465,383	3,553,635	4,176,830	10,534,593
PUBLIC AND INDIAN HOUSING				
Payments for Operation of Low-Income Housing Projects............................	1,308,000	1,348,000	1,391,000	1,451,000
Low-Rent Public Housing Loan Fund.............	2,092,200	1,581,400	1,511,000	1,412,300
Subtotal, Public and Indian Housing........	3,400,200	2,929,400	2,902,000	2,863,300
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants............	2,740,000	2,850,000	2,955,000	3,056,000
Section 108 Loan Guarantees:				
FFB Direct Loans............................	28,721	2,754	0	0
Urban Homesteading............................	12,000	12,000	12,000	12,000
Subtotal, CPD..............................	2,780,721	2,864,754	2,967,000	3,068,000
POLICY DEVELOPMENT AND RESEARCH				
Research and Technology.......................	18,900	18,900	18,900	18,900
FAIR HOUSING AND EQUAL OPPORTUNITY				
Fair Housing Assistance Program	5,000	5,000	5,000	5,000
Fair Housing Initiatives Program..............	7,000	7,000	7,000	7,000
Subtotal, FHEO.............................	12,000	12,000	12,000	12,000
DEPARTMENTAL MANAGEMENT				
Salaries and Expenses, HUD....................	303,027	303,027	303,027	303,027
Gifts and Bequests............................	5	5	5	5
Subtotal, Department Management............	303,032	303,032	303,032	303,032
Total, HUD.............................	9,980,236	9,681,721	10,379,762	16,799,825

NOTE: All amounts include the effect of FY 1986 and FY 1987 rescissions and legislative proposals.

TABLE VI

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS
LONG RANGE PROJECTIONS--FISCAL YEARS 1988-1991

	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
		(Dollars in Thousands)		
HOUSING PROGRAMS				
Housing Payments	$9,191,239	$9,613,412	$10,156,758	$10,611,570
Rental Housing Development Grants	105,501	0	0	0
Troubled Projects (Flexible Subsidy)	(2,700)	600	1,600	2,000
Congregate Services	93	0	0	0
Mortgage Insurance Programs	(1,691,067)	(1,812,409)	(1,959,053)	(1,992,687)
Housing for the Elderly or Handicapped (Section 202)	260,254	177,635	119,891	74,496
Nonprofit Sponsor Assistance	(701)	(455)	0	0
Manufactured Home Inspection and Monitoring	7,127	7,127	7,127	7,127
Interstate Land Sales Registration	1,400	1,400	1,400	1,400
Community Disposal Operations Fund	(89)	(59)	(44)	(33)
Subtotal, Housing	7,871,057	7,987,251	8,327,679	8,703,873
PUBLIC AND INDIAN HOUSING				
Public Housing Operating Subsidies	1,272,972	1,327,000	1,370,000	1,421,000
Public Housing Loan Fund:				
Federal Financing Bank Payments	138,832	136,284	133,422	128,800
Direct Loans and Other Expenses	1,124,368	487,716	251,078	0
Subtotal, PHLF	1,263,200	624,000	384,500	128,800
Federal Financing Bank Direct Loans	(39,422)	(41,638)	(44,438)	(47,357)
Subtotal, Public and Indian Housing	2,496,750	1,909,362	1,710,062	1,502,443
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION				
Management and Liquidation Functions	(344,622)	(96,431)	(5,770)	(4,713)
Guarantees of Mortgage-Backed Securities	(397,225)	(487,069)	(549,285)	(630,364)
Participation Sales Fund	494,829	0	0	0
Subtotal, GNMA	(247,018)	(583,500)	(555,055)	(635,077)
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants	2,628,986	2,663,694	2,778,000	2,886,300
Section 108 Loan Guarantees:				
FFB Direct Loans	(53,279)	(76,246)	(68,000)	(57,000)
Urban Development Action Grants	330,994	213,994	66,994	25,539
Rehabilitation Loans (Section 312)	(75,000)	(75,000)	(75,000)	(75,000)
Urban Homesteading	12,000	12,000	12,000	12,000
Rental Rehabilitation Grants	8,698	0	0	0
Revolving Fund (Liquidating Programs)	(27,758)	(28,161)	(27,236)	(21,544)
FFB Direct Loans	(1,625)	(1,625)	(1,625)	(1,625)
Subtotal, CPD	2,823,016	2,708,656	2,685,133	2,768,670

TABLE VI (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS
LONG RANGE PROJECTIONS--FISCAL YEARS 1988-1991

	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
		(Dollars in Thousands)		
POLICY DEVELOPMENT AND RESEARCH				
Research and Technology......................	$18,155	$18,627	$18,900	$18,900
FAIR HOUSING AND EQUAL OPPORTUNITY				
Fair Housing Assistance Program..............	6,923	5,000	5,000	5,000
Fair Housing Initiatives Program.............	7,000	7,000	7,000	7,000
Subtotal, FHEO........................	13,923	12,000	12,000	12,000
DEPARTMENTAL MANAGEMENT				
Salaries and Expenses, HUD...................	307,023	307,023	307,023	307,023
Gifts and Bequests...........................	5	5	5	5
Subtotal, Departmental Management........	307,028	307,028	307,028	307,028
Total, HUD	13,282,911	12,359,424	12,505,747	12,677,837

NOTE: All amounts include the effect of FY 1986 and FY 1987 rescissions, sequestrations, deferals, and legislative proposals.

TABLE VII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET AUTHORITY BY PROGRAM
COMPARITIVE SUMMARY, FISCAL YEARS 1986-1991

(Dollars in Thousands)

	1986 Estimate	1987 Estimate	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
HOUSING						
Subsidized Housing	$9,393,537	$10,522,405	$10,930,477	$11,281,238	$12,747,630	$28,060,308
Rental Housing Development Grants	71,775	75,000	78,000	81,000	84,000	86,000
Mortgage Insurance Programs:						
Appropriation (Current Authority)	74,387	77,873	88,700	85,300	101,900	102,900
Permanent Authority	48,693	51,946	368,132	605,642	784,402	845,146
Subtotal, Mortgage Insurance Programs	123,080	129,819	456,832	690,942	886,302	948,046
Housing Counseling Assistance	3,313	3,463	3,713	3,863	4,067	4,169
Housing for the Elderly or Handicapped	503,517	531,827	555,532	618,829	656,884	669,959
Congregate Services	2,555	2,670	2,785	2,888	2,980	3,103
Nonprofit Sponsor Assistance (Loan Limitation)	[957]	[1,000]	[1,043]	[1,081]	[1,115]	[1,144]
Manufactured Home Inspection and Monitoring	6,032	6,032	6,032	6,032	6,306	6,750
Interstate Land Sales Registration	800	800	800	800	800	800
Subtotal, Housing	10,104,609	11,272,016	12,034,171	12,685,592	14,388,969	29,779,135
PUBLIC AND INDIAN HOUSING						
Public Housing Operating Subsidies	1,158,544	1,204,344	1,342,762	1,381,563	1,422,880	1,480,762
Low-Rent Public Housing Loan Fund	1,237,500	1,631,700	1,314,500	877,800	860,300	1,049,800
Subtotal, Public and Indian Housing	2,396,044	2,836,044	2,657,262	2,259,363	2,283,180	2,530,562

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET AUTHORITY BY PROGRAM
COMPARITIVE SUMMARY, FISCAL YEARS 1986-1991

(Dollars in Thousands)

	1986 Estimate	1987 Estimate	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
COMMUNITY PLANNING AND DEVELOPMENT						
Community Development Block Grants............	$2,990,434	$3,125,004	$3,259,379	$ 3,379,976	$3,488,135	$3,575,338
Section 108 Loan Guarantees:						
FFB Direct Loans............................	108,000	150,400	196,431	215,431	215,431	220,031
Urban Development Action Grants................	315,810	330,021	344,212	356,948	368,370	377,579
Urban Homesteading............................	11,358	11,467	11,960	12,402	12,799	13,119
Rental Rehabilitation Grants..................	71,775	75,000	78,000	81,000	84,000	86,000
Revolving Fund (liquidating programs)..........	0	1,079	0	0	0	0
Subtotal, CPD............................	3,497,377	3,692,971	3,889,982	4,045,757	4,168,735	4,272,067
POLICY DEVELOPMENT AND RESEARCH						
Research and Technology.......................	16,173	16,843	17,514	18,087	18,564	18,944
FAIR HOUSING AND EQUAL OPPORTUNITY						
Fair Housing Assistance Program	6,341	6,500	6,800	7,100	7,400	7,600
DEPARTMENTAL MANAGEMENT						
Salaries and Expenses, HUD....................	321,961	335,161	348,232	360,073	370,515	379,038
Gifts and Bequests............................	5	5	5	5	5	5
Subtotal, Department Management............	321,966	335,166	348,237	360,078	370,520	379,043
Total, HUD............................	16,342,510	18,159,540	18,953,966	19,375,977	21,237,368	36,987,351

TABLE VII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET OUTLAYS BY PROGRAM
COMPARITIVE SUMMARY, FISCAL YEARS 1986-1991

	1986 Estimate	1987 Estimate	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
			(Dollars in Thousands)			
HOUSING						
Subsidized Housing	$10,641,411	$11,105,349	$11,968,554	$12,734,019	$13,622,387	$14,413,344
Rental Housing Development Grants	110,177	148,400	177,900	77,200	80,200	82,900
Mortgage Insurance Programs	(1,434,343)	(1,764,201)	(1,784,566)	(1,854,896)	(1,935,890)	(1,926,518)
Housing Counseling Assistance	3,500	3,418	2,219	3,601	3,795	3,975
Housing for the Elderly or Handicapped	490,080	497,783	493,776	510,143	533,572	555,066
Troubled Projects	21,700	(13,500)	(2,700)	600	1,600	2,000
Congregate Services	5,900	6,322	2,438	2,704	3,113	4,137
Nonprofit Sponsor Assistance	(163)	70	40	10	(12)	(35)
Community Disposal Operations Fund	(149)	(119)	(89)	(59)	(44)	(33)
Rental Housing Assistance Fund	2,392	(2,000)	0	0	0	0
Manufactured Home Inspection and Monitoring	6,387	6,718	6,750	6,750	6,750	6,750
Interstate Land Sales Registration	778	800	800	800	800	800
Subtotal, Housing	9,847,670	9,989,040	10,865,122	11,480,872	12,316,271	13,142,386
PUBLIC AND INDIAN HOUSING						
Public Housing Operating Subsidies	1,337,000	1,322,091	1,304,203	1,362,163	1,404,344	1,451,821
Low-Rent Public Housing Loan Fund	1,379,400	1,772,500	1,453,300	1,014,100	787,500	522,100
FFB Direct Loans	(34,743)	(36,980)	(39,422)	(41,638)	(44,438)	(47,357)
Subtotal, Public and Indian Housing	2,681,657	3,057,611	2,718,081	2,334,625	2,147,406	1,926,564
Government National Mortgage Association						
Management and Liquidating Functions Fund	(429,760)	(409,612)	(344,622)	(96,431)	(5,770)	(4,713)
Guarantees of Mortgage-Backed Securities	(268,029)	(308,861)	(343,877)	(373,927)	(392,923)	(421,644)
Participation Sales Fund	(95,678)	28,508	494,829	0	0	0
Subtotal, GNMA	(793,467)	(689,965)	(193,670)	(470,358)	(398,693)	(426,357)
Solar Energy and Energy Conservation Bank						
Assistance for Solar and Conservation Improvements	35,988	8,806	0	0	0	0

TABLE VIII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET OUTLAYS BY PROGRAM
COMPARITIVE SUMMARY, FISCAL YEARS 1986-1991

(Dollars in Thousands)

	1986 Estimate	1987 Estimate	1988 Estimate	1989 Estimate	1990 Estimate	1991 Estimate
COMMUNITY PLANNING AND DEVELOPMENT						
Community Development Block Grants..........	$3,574,713	$3,118,933	$3,019,408	$3,401,808	$3,335,343	$3,416,540
Section 108 Loan Guarantees:						
FFB Direct Loans...........................	46,000	32,500	106,432	105,532	87,032	91,232
Urban Development Action Grants.............	499,290	473,659	478,668	401,930	339,565	348,809
Urban Homesteading..........................	15,317	14,473	11,450	11,428	11,410	11,393
Rental Rehabilitation Grants................	175,888	209,000	87,000	80,000	83,000	85,000
Planning Assistance.........................	517	0	0	0	0	0
Neighborhood Self-help Development Program..	15	0	0	0	0	0
Miscellaneous Appropriations................	379	0	0	0	0	0
Rehabilitation Loan Fund....................	36,540	16,129	82,400	84,400	86,400	88,400
Urban Renewal Program.......................	34,603	0	0	0	0	0
Revolving Fund (liquidating programs).......	(29,616)	(16,949)	(27,758)	(28,161)	(27,236)	(21,544)
FFB Direct Loans...........................	(1,300)	(1,625)	(1,625)	(1,625)	(1,625)	(1,625)
Subtotal, CPD..........................	4,352,346	3,846,120	3,755,975	4,055,312	3,913,889	4,018,205
POLICY DEVELOPMENT AND RESEARCH						
Research and Technology.....................	16,877	16,482	16,917	17,418	17,991	18,469
FAIR HOUSING AND EQUAL OPPORTUNITY						
Fair Housing Assistance Program	8,442	6,800	6,900	6,800	7,100	7,400
DEPARTMENTAL MANAGEMENT						
Salaries and Expenses, HUD..................	317,898	325,838	341,138	352,737	362,967	371,315
New Community Assistance Grants.............	225	0	0	0	0	0
Gifts and Bequests..........................	5	5	5	5	5	5
Subtotal, Department Management.........	318,128	325,843	341,143	352,742	362,972	371,320
Total, HUD..........................	16,467,641	16,560,737	17,510,468	17,777,411	18,366,936	19,057,987

TABLE VIII (cont.)

TABLE IX

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MORTGAGE ASSIGNMENTS, PROPERTY ACQUISITIONS, SALES AND INVENTORY

MORTGAGE ACTIVITIES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Mortgage transactions (units)			
Assigned mortgages:			
Homes	6,672	4,360	1,400
Multifamily	3,068	4,550 a/	3,770 a/
Total	9,740	8,910	5,170
Converted and liquidated:			
Homes	1,875	1,346	1,438
Multifamily	8,144	12,080	38,364
Total	10,019	13,426	39,802
Assigned mortgages on hand, end of year:			
Homes	37,238	40,252	40,214
Multifamily	161,227	153,697	119,103
Total	198,465	193,949	159,317

PROPERTY ACTIVITIES

Property transactions (units)			
Acquisitions: b/			
Homes	45,439	43,177	38,656
Multifamily	5,769	7,800	7,930
Total	51,208	50,977	46,586
Sales:			
Homes	38,035	45,500	42,000
Multifamily	4,958	11,702	7,852
Total	42,993	57,202	49,852
Acquired properties on hand, end of year:			
Homes	27,485	25,162	21,818
Multifamily	14,388	4,665 c/	4,743
Total	41,873	29,827	26,561

TOTAL OF MORTGAGE AND PROPERTY INVENTORIES, END OF YEAR

Homes	64,723	65,414	62,032
Multifamily	175,615	158,362	123,846
Total	240,338	223,776	185,878

a/ Under Section 221(g)(4) a mortgage that is not in default can be assigned to the Department for payment. Beginning in FY 1986, multifamily mortgages under this Section will be serviced by GNMA and the corresponding units are not included in this total.

b/ Includes repossessions and conversions.

c/ Reflects a 5,821 unit decrease resulting from an accounting reconciliation.

TABLE I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT AT END OF YEAR
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Housing Programs:			
Washington	504	502	502
Field	4,171	4,400	4,222
Total	4,675	4,902	4,724
Public and Indian Housing:			
Washington	128	128	128
Field	926	900	900
Total	1,054	1,028	1,028
Government National Mortgage Association:			
Washington	52	54	52
Solar Energy and Energy Conservation Bank:			
Washington	6	3	0
Community Planning and Development:			
Washington	262	230	205
Field	901	675	594
Total	1,163	905	799
Policy Development and Research:			
Washington	142	130	125
Fair Housing and Equal Opportunity:			
Washington	118	120	121
Field	422	432	432
Total	540	552	553
Departmental Management:			
Washington	132	136	130
Office of General Counsel:			
Washington	219	212	212
Field Legal Services:			
Field	246	247	245
Office of Inspector General:			
Washington	107	97	97
Field	378	363	363
Total	485	460	460

TABLE X (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT AT END OF YEAR
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,051	1,022	1,022
Working Capital Fund	250	250	250
Total	1,301	1,272	1,272
Field Direction and Operational Support:			
Field	563	540	500
Field Administration:			
Field	797	742	695
Total Full-Time Permanent Employment	11,375	11,183	10,795
Other Employment Under Ceiling	820	200	200
Total Employment Under Ceiling	12,195	11,383	10,995
Other Employment, Nonceiling	75	50	50
Total Employment	12,270	11,433	11,045
Recapitulation:			
Washington	2,971	2,884	2,844
Field:			
Regions	8,003	7,913	7,565
Other	401	386	386
Subtotal, Field	8,404	8,299	7,951
Total Full-Time Permanent Employment	11,375	11,183	10,795

TABLE XI

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Housing Programs:			
Washington	527.8	491.2	514.6
Field	4,573.6	4,678.1	4,418.4
Total	5,101.4	5,169.3	4,933.0
Public and Indian Housing:			
Washington	131.5	142.9	143.2
Field	973.8	961.1	960.2
Total	1,105.3	1,104.0	1,103.4
Government National Mortgage Association:			
Washington	55.0	51.7	54.4
Solar Energy and Energy Conservation Bank:			
Washington	6.1	3.9	2.1
Community Planning and Development:			
Washington	290.7	268.5	240.7
Field	944.8	835.7	641.3
Total	1,235.5	1,104.2	882.0
Policy Development and Research:			
Washington	157.0	142.0	132.0
Fair Housing and Equal Opportunity:			
Washington	127.7	128.9	127.6
Field	439.1	438.2	460.2
Total	566.8	567.1	587.8
Departmental Management:			
Washington	148.7	142.4	143.6
Office of General Counsel:			
Washington	230.7	216.0	225.0
Field Legal Services:			
Field	269.7	257.8	268.0
Office of Inspector General:			
Washington	106.7	98.0	100.5
Field	382.8	378.0	386.4
Total	489.5	476.0	486.9

TABLE XI (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,185.8	1,076.3	1,111.2
Working Capital Fund	276.5	247.2	260.6
Total	1,462.3	1,323.5	1,371.8
Field Direction and Operational Support:			
Field	610.5	551.9	528.5
Field Administration:			
Field	903.2	785.2	771.5
Total Staff-Years	12,341.7	11,895.0	11,490.0
Recapitulation:			
Washington	3,244.2	3,009.0	3,055.5
Field:			
Regions	8,691.7	8,485.0	8,025.1
Other	405.8	401.0	409.4
Subtotal, Field	9,097.5	8,886.0	8,434.5
Total Staff-Years	12,341.7	11,895.0	11,490.0

Reconciliation of Full-Time Equivalent Staff and Staff-Years

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Equivalents for Permanent Appointments	11,517.0	11,411.5	10,978.0
Full-Time Temporary, Part-Time Temporary, Intermittent Temporary, Part-Time Permanent, and Intermittent Full-Time Equivalents	578.1	303.5	312.0
Subtotal, Full-Time Equivalent Work-Years	12,095.1	11,715.0	11,290.0
Nonceiling Programs (Stay-in-School, Worker Trainees, Summer/Student Aides, Federal Junior Fellowship)	45.5	30.0	30.0
Overtime	127.0	80.0	80.0
Terminal Leave	74.1	70.0	90.0
Total Staff-Years	12,341.7	11,895.0	11,490.0

TABLE XII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FULL-TIME EQUIVALENT STAFF SUMMARY
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Housing Programs:			
Washington	523.1	487.5	510.1
Field	4,459.9	4,604.9	4,338.8
Total	4,983.0	5,092.4	4,848.9
Public and Indian Housing:			
Washington	128.8	140.9	140.9
Field	959.7	949.7	946.7
Total	1,088.5	1,090.6	1,087.6
Government National Mortgage Association:			
Washington	54.5	51.1	53.7
Solar Energy and Energy Conservation Bank:			
Washington	6.1	3.8	2.0
Community Planning and Development:			
Washington	288.0	264.3	235.3
Field	936.8	826.0	629.0
Total	1,224.8	1,090.3	864.3
Policy Development and Research:			
Washington	155.5	139.4	128.4
Fair Housing and Equal Opportunity:			
Washington	126.0	127.5	126.0
Field	434.8	435.2	456.9
Total	560.8	562.7	582.9
Departmental Management:			
Washington	145.8	140.3	141.4
Office of General Counsel:			
Washington	228.6	214.4	223.4
Field Legal Services:			
Field	267.7	256.2	266.4
Office of Inspector General:			
Washington	105.8	97.0	100.0
Field	381.7	377.2	384.7
Total	487.5	474.2	484.7

TABLE XII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FULL-TIME EQUIVALENT STAFF SUMMARY
FISCAL YEARS 1985-1987
(ALL DATA ON A COMPARABLE BASIS)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,143.3	1,047.2	1,080.6
Working Capital Fund	270.1	242.4	255.8
Total	1,413.4	1,289.6	1,336.4
Field Direction and Operational Support:			
Field	603.1	544.8	519.9
Field Administration:			
Field	875.8	765.2	750.0
Total Full-Time Equivalent Staff	12,095.1	11,715.0	11,290.0
Recapitulation:			
Washington	3,175.6	2,955.8	2,997.6
Field:			
Regions	8,514.8	8,359.0	7,884.7
Other	404.7	400.2	407.7
Subtotal, Field	8,919.5	8,759.2	8,292.4
Total Full-Time Equivalent Staff	12,095.1	11,715.0	11,290.0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMPARATIVE SUMMARY OF UNEXPENDED BALANCES
(Includes Proposed Supplementals)

September 30,1985 to September 30, 1987

(Dollars in Millions)

	UNEXPENDED BALANCES 9/30/85				UNEXPENDED BALANCES 9/30/86				UNEXPENDED BALANCES 9/30/87			
	UNOBLIGATED				UNOBLIGATED				UNOBLIGATED			
	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL
LOAN PROGRAMS												
Housing for Elderly or Handicapped	...	$1,463.6	$553.0	$2,016.6	...	$905.0	$585.9	$1,490.9	...	$556.0	$518.4	$1,074.4
Rehabilitation Loan Fund	...	64.3	79.0	143.3	...	134.8	11.1	145.9	...	210.8	...	210.8
Total, All Loan Programs	...	1,527.9	632.0	2,159.9	...	1,039.8	597.0	1,636.8	...	766.8	518.4	1,285.2
HOUSING SUBSIDY PROGRAMS												
Contract Authority:												
Annual Contributions for Assisted Housing	$45,982.9	918.5	163,366.4	209,837.8	$39,376.8	2,300.8	162,312.0	203,989.6	$33,647.8	...	161,086.5	194,734.3
Annual Cont. - Pub. Hsg. Refin. Initiative	...	...	...	0.0	...	...	(21,762.9)	(21,762.9)	...	...	(27,084.3)	(27,084.3)
Rent Supplement Program	...	1,154.0	2,397.7	3,551.7	...	1,006.5	1,205.2	2,211.7	...	945.9	1,182.7	2,128.6
Homeownership & Rental Housing Assistance	...	1,752.4	33,361.6	35,114.0	...	1,475.0	32,310.0	33,785.0	...	1,393.7	31,440.2	32,835.9
College Housing Interest Subsidy	...	...	611.4	611.4	...	...	990.4	990.4	...	...	969.4	969.4
Total, Contract Authority	45,982.9	3,824.9	199,737.1	249,114.9	39,376.8	4,782.3	174,662.7	218,821.8	33,647.8	2,339.6	167,194.5	203,181.9
Payments for Operation of Housing Projects	...	263.2	681.9	945.1	...	61.3	705.3	766.6	...	...	641.2	641.2
Troubled Projects (Flexible Subsidy)	...	76.6	18.5	95.1	...	46.5	26.9	73.4	...	42.7	44.2	86.9
Congregate Services	...	2.9	8.4	11.3	...	...	5.4	5.4	...	...	0.1	0.1
Combined Total, Housing Subsidy Payments	45,982.9	4,167.6	200,445.9	250,166.4	39,376.8	4,890.1	175,400.3	219,667.2	33,647.8	2,382.3	167,880.0	203,910.1
GRANT PROGRAMS												
Community Development Grants	...	100.7	5,890.0	5,990.7	...	600.0	4,806.4	5,406.4	...	100.0	4,332.3	4,432.3
Urban Development Grants	...	114.0	1,315.5	1,429.5	...	...	1,050.7	1,050.7	...	...	637.7	637.7
Rental Development Grant Program	...	0.4	313.9	314.3	...	...	204.7	204.7	...	...	73.8	73.8
Rental Rehabilitation Grant Program	...	2.5	283.2	285.7	...	...	141.1	141.1	...	...	6.7	6.7
Total, Grant Programs	...	217.6	7,802.6	8,020.2	...	600.0	6,202.9	6,802.9	...	100.0	5,050.5	5,150.5
PUBLIC HOUSING FINANCING AUTHORITY												
Low-Rent Public Housing Loans	...	348.7	2,799.3	3,148.0	...	348.7	2,657.4	3,006.1	...	348.7	2,516.7	2,865.4
Total, Public Housing Loans	...	348.7	2,799.3	3,148.0	...	348.7	2,657.4	3,006.1	...	348.7	2,516.7	2,865.4
TRUST FUNDS AND RESERVES FOR LOSSES												
Federal Housing Administration Fund	...	3,837.9	137.7	3,975.6	...	5,123.9	210.8	5,334.7	...	6,705.3	232.5	6,937.8
Guarantees of Mortgage-Backed Securities	...	1,049.3	(31.2)	1,018.1	...	1,324.6	(38.6)	1,286.0	...	1,656.3	(46.5)	1,609.8
Participation Sales Program	...	1,673.0	427.7	2,100.7	...	1,729.3	523.3	2,252.6	...	1,647.0	494.8	2,141.8
Urban Homesteading	...	1.7	5.1	6.8	...	...	2.9	2.9	...	...	...	0.0
Total, Trust Funds and Reserves for Losses	...	6,561.9	539.3	7,101.2	...	8,177.8	698.4	8,876.2	...	10,008.6	680.8	10,689.4
OTHER HUD PROGRAMS												
Community Disposal Operation Fund	...	0.4	...	0.4	...	0.1	0.1	0.2	...	...	0.1	0.1
Revolving Fund (Liquidating Programs)	...	19.4	64.5	83.9	...	10.1	59.1	69.2	...	13.6	55.4	69.0
Management and Liquidating Functions	...	8.2	843.7	851.9	...	215.5	426.8	642.3	...	219.6	255.6	475.2
Urban Renewal Program	...	39.0	44.8	83.8	...	34.2	14.9	49.1	...	...	...	0.0
Planning Assistance Grants	...	...	0.5	0.5	...	...	...	0.0	...	...	...	0.0
Housing Counseling	...	...	3.9	3.9	...	...	0.4	0.4	...	...	0.1	0.1
Solar Energy and Conservation Improvements	...	5.8	40.6	46.4	...	...	10.4	10.4	...	...	...	0.0
Total, Other HUD Programs	...	72.8	998.0	1,070.8	...	259.9	511.7	771.6	...	233.2	309.2	542.4
MISCELLANEOUS PROGRAMS	...	27.1	83.9	111.0	...	20.3	87.1	107.4	...	21.3	88.4	109.7
GRAND TOTAL, HUD	45,982.9	12,923.6	213,301.0	271,777.5	39,376.8	15,336.6	186,154.8	240,868.2	33,647.8	13,860.9	177,044.0	224,552.7

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Reservations (units -- gross basis)					
Incremental Units					
Public Housing	5,448	...	350	...	-350
Indian Housing	2,178	...	...	...	...
Vouchers	38,142	...	50,000	50,000	...
Section 202	12,639	...	100	...	-100
Section 8 Existing	36,513	...	2,300	...	-2,300
Moderate Rehabilitation	4,902	...	1,114	...	-1,114
Total	99,822	...	53,864	50,000	-3,864
All Other Units					
Voucher Opt-Outs and Public Housing Demolitions	222	3,500	3,500	3,500	...
Section 8 Loan Management, Property Disposition and Conversions	25,432	11,000	9,700	9,000	-700
Total, Other	25,654	14,500	13,200	12,500	-700
Total Reservations	125,476	14,500	67,064	62,500	-4,564
Construction or Substantial Rehabilitation Starts (units)					
Housing Assistance Payments (Section 8)	9,238	15,500	10,000	10,000	...
Public Housing	7,714	3,000	8,000	3,000	-5,000
Indian Housing	3,419	2,800	2,800	2,500	-300
Total	20,371	21,300	20,800	15,500	-5,300
Units Made Available for Occupancy (Including Existing Housing)					
Housing Assistance Payments (Section 8)	100,861	173,000	117,000	120,000	+3,000
Public Housing	16,796	23,074	16,000	15,000	-1,000
Indian Housing	2,471	3,300	2,800	2,800	...
Total	120,128	199,374	135,800	137,800	+2,000
Use of Contract Authority					
Housing Assistance Payments (Section 8)	$483,128	$167,847	$295,219	$141,560	-$153,659
Housing Vouchers	153,953	13,118	223,042	212,341	-10,701
Public Housing:					
Development	42,528	...	2,691	...	-2,691
Modernization	83,816	175,000	22,916	...	-22,916
Lease Adjustments	19,264	19,200	19,200	...	-19,200
Accounting Adjustments	14,464	...	...	...	...
Amendments	8,480	82,322	6,897	...	-6,897
Total	805,632	457,487	569,965	353,901	-216,064
Use of Budget Authority (gross)	10,706,479	1,391,945	3,741,349	2,300,805	-1,440,544

Annual Contributions for Assisted Housing

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Budget Authority					
Current Authority:					
New Authority for Assisted Housing..........	$10,759,483	$499,000	$9,965,608	...	-$9,965,608
Proposed Rescission:					
Proposed Rescission........	...	...	-4,413,431	...	-4,413,431
Sequestration pursuant to P.L. 99-177................	...	...	-428,521	...	-428,521
Proposed Deferral.............	...	...	-2,300,805	...	-2,300,805
Total Authority..........	10,759,483	499,000	2,822,851	...	-2,822,851

NOTE: This section of the Justification provides a detailed description of the Section 8 program which remains the responsibility of the Assistant Secretary for Housing. This section also provides highlights for all the programs included under the heading "Annual Contributions for Assisted Housing." Specific details on the Public Housing, Indian Housing and Modernization programs may be found in the section of this Justification titled "Public and Indian Housing Programs."

1. SUMMARY OF BUDGET ESTIMATES

a. An Overview of the Budget Request. The Administration's Budget proposals for fiscal year 1987 include numerous program modifications, reprogrammings, and funding reductions under the subsidized housing programs consistent with the theme of reducing annual Federal expenditures in order to curtail, and eventually eliminate, the annual Federal deficit.

In order to achieve this objective, substantial funding reductions are being proposed to the program approved by the Congress for fiscal year 1986 and a continuation of reduced funding levels is being proposed for fiscal year 1987. Specifically, the $10,884.1 million in budget authority currently available for the subsidized housing programs during fiscal year 1986 would, under the Administration's Budget, be reduced to a total of $3,741.3 million. The remaining balance of $7,142.8 million includes $2,300.8 million which would be deferred to fund the fiscal year 1987 program, $4,413.4 million of budget authority which is being proposed for rescission this year, and $428.5 million which will be sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

The 1987 Budget is consistent with the Administration's effort to shift the focus of the subsidized housing programs exclusively to cost-effective Housing Vouchers. No Public and Indian Housing development is proposed beyond some limited 1986 activity. However, a total of 50,000 incremental units is proposed in 1987 using Housing Vouchers. The Budget also proposes the expansion of HUD's role in rural areas to accommodate the proposed termination of the Farmers' Home Administration (FmHA) housing assistance programs. Assistance under the Housing Voucher program will be distributed on a fifty/fifty basis between metropolitan and non-metropolitan areas. In addition to the Housing Voucher program, the Budget also proposes the continued funding of Section 8 assistance for Loan Management and Property Disposition units. This funding will ensure the financial stability of insured projects (Loan Management) and thereby preclude future claims to the FHA fund. Section 8 assistance provided in connection with the sale of projects under the Property Disposition program will minimize any displacement of tenants which might otherwise occur.

Additional funding for Section 8 amendments, Public Housing amendments, Lease Adjustments, and Modernization is also proposed. A two-year partial moratorium is being proposed for modernization under which a capital cost level of $225 million will be supported for emergency needs each year. Starting in 1987, Public Housing amendments and Modernization funding reflects the proposed grant financing mechanism discussed further in the Public Housing section of this book.

No new authority is being requested for 1987. Total funding support for the 1987 program, estimated to require $2,300.8 million in budget authority, will be financed using authority which is available in 1986 and which has been proposed for deferral.

The Budget also proposes a number of management and legislative proposals which are intended to reduce program and administrative costs. The proposals include the following:

Annual Contributions for Assisted Housing

(1) Fair Market Rent (FMR) Freeze in 1987. Legislation is proposed to permit a one year freeze in Section 8 Existing FMRs and Housing Voucher Payment Standards during 1987 at the 1986 levels. This proposal is expected to generate cumulative outlay savings of $594.1 million by the end of 1991.

(2) Contract Rent Adjustment Freeze in 1987. The Department plans to provide no adjustment in 1987 for Section 8 certificates, Moderate Rehabilitation units and those project-based units (other than new construction or substantial rehabilitation projects) where such action is allowable under the contract. Cumulative savings are estimated at $715.8 million by the end of 1991.

(3) Repeal of Section 8(c)(2)(D) Operating Cost Adjustments. This section, which establishes an operating cost-based limitation on contract rent adjustments for certain Section 8 projects has proven infeasible and is being proposed for repeal. The Department intends to shift its efforts to reducing excessive contract rent allowances through a stricter enforcement of the current rent comparability provisions in the law.

(4) Administrative Fees. The Budget proposes two structural changes to the current Administrative fee structure. The two changes will create a parity between the programs on fees and will require a cost-sharing approach. First, regulations will be published during 1986 which will reduce the fee structure used to reimburse agencies administering the Certificate program to the fee schedule used for the Housing Voucher program. This fee comparability will save an estimated $304 million cumulatively by the end of 1991. Second, legislation is being proposed which would permit cost-sharing with States and localities. Under this proposal, the Federal government will pay one-half of the fees which are permitted under the Housing Voucher, Moderate Rehabilitation and the Certificate programs. The remaining half would be funded by the States and localities. If enacted, this proposal will result in additional cumulative savings of approximately $1.1 billion by the end of 1991.

(5) Exception Rents. Legislation is being proposed to reduce the geographic exception rent approval ceiling levels currently provided by law.

(6) Deobligations. Appropriation language is being proposed to rescind all deobligations of prior year commitments which are recorded during 1987 for the Annual Contributions account. This is a continuation of the approach which has been utilized during the last two years.

(7) Tenant Income Verification. Legislation is being sought to require subsidized housing tenants to provide social security or employee identification numbers in order to verify tenant income. Tighter reviews and recertification standards, together with enactment of the proposed legislation are expected to save over $1.3 billion by the end of 1991.

(8) Future Amendments. Any Annual Contributions Contracts executed for additional Section 8 Certificates in excess of the Administration's Budget request will not permit increases to the contract during the contract term.

b. 1986 Proposed Budget Program. For fiscal year 1986, the Budget assumes the use of $3,741.3 million of budget authority to support 67,064 unit reservations. This program level is consistent with Administration policy which would emphasize reliance on the existing housing stock using Housing Vouchers as the primary vehicle. The use of the cost-effective Housing Voucher approach also is consistent with the goal of reducing the deficit.

The 1986 program represents a reduction from the program of 111,500 units initially approved by Congress for 1986. It also shifts the program almost exclusively to Housing Vouchers and away from more costly Public Housing, Section 8 new construction, Moderate Rehabilitation and Certificates. The reduced units and program shifts will result in substantial contract authority and budget authority savings from the amounts available. The Budget proposes to defer to 1987 a total of $353.9 million in contract authority and $2,300.8 million in budget authority. In addition, $4,413.4 million of budget authority, in excess of the $428.5 million sequestered pursuant to P.L. 99-177, is proposed for rescission. The rescission and deferral proposals are expected to result in cumulative outlay savings of $289 million through fiscal year 1991. The unit reservations of 67,064 units include 66,714 Section 8 units and 350 units under the Public Housing program. A total of 53,864 incremental units are expected to be reserved in 1986. "Incremental" refers to those units added to the assisted housing stock and excludes those Section 8 and Voucher units which are used to replace other subsidy programs.

Annual Contributions for Assisted Housing

(1) Housing Voucher program. The Voucher program was authorized at a demonstration level in the Housing and Urban-Rural Recovery Act of 1982 (P.L. 99-181). For 1986 the Budget proposes the reservation of 53,500 vouchers of which 50,000 are incremental. The remaining 3,500 vouchers are planned for tenants displaced as a result of Section 8 project owners deciding to discontinue participation in the subsidy program (opt-outs) and for Public Housing demolitions. A total of $1.1 billion of budget authority is estimated to be used for the Voucher program in 1986.

(2) Loan Management, Property Disposition and Conversions. The Budget also proposes the use of $90.1 million in Section 8 budget authority for Loan Management. This assistance will ensure the financial stability of HUD-Insured projects and thereby prevent claims against the FHA funds. In addition, $372 million of Section 8 budget authority is proposed for use with the sale of HUD-held properties (Property Disposition). Conversions from the Section 23 Leased Housing program to the Section 8 program continue to be proposed. Section 23 conversions will require $35.4 million of budget authority. Fiscal year 1986 will be the last year of Section 23 conversions as the inventory of convertible units will have been exhausted.

(3) Section 8 Existing Certificates and Moderate Rehabilitation. The Budget reflects commitments for these two program categories which were made prior to the budget decision to eliminate further Section 8 Existing and Moderate Rehabilitation reservations. A total of $184.5 million of budget authority has been committed for the Section 8 Certificate program and an additional $102.9 million of budget authority has been committed for the Moderate Rehabilitation program.

(4) Section 202 Housing for the Elderly or Handicapped. The Budget reflects only the Section 8 reservations made prior to the decision to discontinue further funding for the Section 202 Housing for the Elderly or Handicapped program. Budget authority of $12.8 million was reserved to support 100 units under the program. The Section 202 program is discussed in greater detail in a separate section of this justification.

(5) Amendments. A total of $1.1 billion of budget authority is proposed for Section 8 amendments. This includes $50 million for new construction and substantial rehabilitation amendments, $450 million for Section 8 existing amendments, $280.3 million for project reserves, $40 million for Section 8 Moderate Rehabilitation, $20 million for Property Disposition, and $230 million for Section 8/202 amendment needs.

(6) Tenant Rebates. As the result of revised income definitions in the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181), retroactive payments will be made to tenants during 1986 upon recertification of income. It is estimated that these rebates and, subsequent to recertification, reduced rent collections will reach $387 million for Section 8 tenants during 1986. The current 1986 estimates include increased amendment funding to support this additional cost. Amendments will be used to replenish project reserves which become depleted upon payment of the balance of tenant rebates.

(7) Rescission and Sequestration. As noted previously, the 1986 program level includes a rescission proposal and the sequestration of authority pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). The gross reservation table for 1986 reflects the total rescission proposal and sequestration of funds for the Annual Contributions account including the rescissions and sequestrations for the Section 17 Housing Development Grant and Rental Rehabilitation Grants programs. The following table summarizes the rescissions and sequestrations of 1986 Budget authority:

Annual Contributions for Assisted Housing

	Section 8 and Public Housing	Rental Development (HoDAG)	Rental Rehabilitation	Total
SOURCE:				
1986 Appropriation....	$9,815,608	$75,000	$75,000	$9,965,608
Carryover balance.....	918,498	400	2,471	921,369
Recaptures............	537,525	2,000	10,000	549,525
Total...............	11,271,631	77,400	87,471	11,436,502
DISPOSITION OF AUTHORITY:				
Sequestration.........	(422,071)	(3,225)	(3,225)	(428,521)
Rescission of 1986 authority.......	(4,269,881)	(71,775)	(71,775)	(4,413,431)
Recission of recaptures...........	(537,525)	(2,000)	...	(539,525)
Rescission of unutilized carryover.	...	(80)	...	(80)
Used in year..........	(3,741,349)	(320)	(12,471)	(3,754,140)
Proposed deferral.....	(2,300,805)	NA	NA	(2,300,805)
Total...............	(11,271,631)	(77,400)	(87,471)	(11,436,502)

(8) Program Level Comparison-Sequestration and the 1986 Proposed Level. The program approved by Congress under the 1986 Appropriations Act assumed budget authority resources totalling $10,874.9 million and was expected to support an estimated 111,500 units as well as funding support for Section 8 and Public Housing amendments, Public Housing Modernization, Section 17 Rental Rehabilitation and Section 17 Development. Following the recent passage of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), both the House and Senate Appropriation Subcommittees requested that the Department provide an updated Appropriation Act program table which would include more current cost assumptions and any technical adjustments to the funded categories. This table was used as the basis for determining the impact of sequestration pursuant to implementation of (P.L. 99-177) on program levels.

The following tables provide three comparative summaries of the fiscal year 1986 subsidized housing program. The first table compares the program in the Appropriations Act with that program updated for revised cost assumptions and technical reestimates as requested by the Subcommittees (Operating Plan). The second table compares the Operating Plan with that program level modified only to reflect the required sequestration of budget authority. The third table compares the sequestered Operating Plan with the current Administration funding proposal.

As highlighted in this third table, the Administration's proposed program would require the use of substantially less budget authority than under the straight sequestration approach. This lower funding requirement--$3,741.3 million compared to the sequestration-adjusted total of $10,455.6 million--reflects the Administration's reduced unit levels and a reliance upon Housing Vouchers rather than more expensive programs such as Public and Indian Housing, new construction, Certificates and Moderate Rehabilitation. Also, the Administration's proposal includes no funding for Section 17 Rental Rehabilitation and Section 17 Development (the programs are discussed in Parts 1 and 2 of the justifications).

FY 1986 - GROSS RESERVATIONS

--Appropriation Act Compared with Modified Operating Plan--

	Appropriation Act		Operating Plan	
	Units	Budget Authority	Units	Budget Authority
Carryover	NA	$909,286,719	NA	$918,498,386
Recaptures	NA	859,000,000	NA	517,525,000
Rescission of Recaptures	NA	(859,000,000)	NA	(517,525,000)
New Authority	NA	9,965,607,781	NA	9,965,607,781
Sequestration	NA	...	NA	...
Total Available	NA	10,874,894,500	NA	10,884,106,167
Public Housing				
Public Housing	5,000	978,900,000	5,000	978,900,000
Indian Housing	2,000	327,600,000	2,000	327,600,000
Amendments	NA	300,000,000	NA	300,000,000
Lease Adjustments	NA	19,200,000	NA	19,200,000
Modernization	NA	1,500,000,000	NA	1,500,000,000
Subtotal, Public Housing	7,000	3,125,700,000	7,000	3,125,700,000
Section 8				
Section 202:				
Section 202	12,000	1,616,640,000	12,000	1,616,640,000
Section 202 amendments	NA	260,000,000	NA	240,000,000
Subtotal, Section 202	12,000	1,876,640,000	12,000	1,856,640,000
Housing Vouchers:				
Free-standing	36,000	694,440,000	36,900	695,377,817
Section 8 Opt Outs	1,000	19,290,000	1,000	18,845,000
Public Housing Demolitions	2,500	48,225,000	2,500	47,112,500
Voucher PHA Fees	NA	89,270,000	NA	89,889,683
Subtotal, Vouchers	39,500	851,225,000	40,400	851,225,000
Existing/Mod Rehab:				
Certificates	32,000	2,468,160,000	32,480	2,468,160,000
Moderate Rehab	10,000	922,500,000	10,056	922,500,000
Subtotal,	42,000	3,390,660,000	42,536	3,390,660,000
Loan Management	5,000	90,625,000	5,000	90,100,000
Property Disposition	5,000	365,625,000	4,775	444,075,000
Conversions-Section 23	1,000	50,775,000	925	46,744,875
Amendments:				
New/Sub. Rehab.	NA	145,000,000	NA	46,000,000
Existing Housing	NA	500,000,000	NA	488,351,295
Project Reserve/Loan Management	NA	268,644,500 a/	NA	338,061,667
Moderate Rehab	NA	40,000,000	NA	36,548,330
Property Disposition	NA	20,000,000	NA	20,000,000
Subtotal, Amendments	NA	973,644,500	NA	928,961,292
Subtotal, Section 8	104,500	7,599,194,500	105,636	7,608,406,167
Total, Public Housing and Sec.8.	111,500	10,724,894,500	112,636	10,734,106,167
Section 17 Development	NA	75,000,000	NA	75,000,000
Section 17 Rehabilitation	NA	75,000,000	NA	75,000,000
Total Use of Authority	NA	10,874,894,500	NA	10,884,106,167

a/ Includes $80.2 million of CA and BA for retroactive rent rebates and $40 million of contract authority and $250 million BA for reserve amendments.

FY 1986 - GROSS RESERVATIONS

--Operating Plan and Operating Plan Adjusted for Sequestration--

	Operating Plan		Adjusted for Sequestration	
	Units	Budget Authority	Units	Budget Authority
Carryover	NA	$918,498,386	NA	$918,498,386
Recaptures	NA	517,525,000	NA	517,525,000
Rescission of Recaptures	NA	(517,525,000)	NA	(517,525,000)
New Authority	NA	9,965,607,781	NA	9,965,607,781
Sequestration	NA	...	NA	(428,521,134)
Total Available	NA	10,884,106,167		10,455,585,033
Public Housing				
Public Housing	5,000	978,900,000	4,803	940,409,652
Indian Housing	2,000	327,600,000	1,921	314,718,768
Amendments	NA	300,000,000	NA	288,204,000
Lease Adjustments	NA	19,200,000	NA	18,445,056
Modernization	NA	1,500,000,000	NA	1,441,020,000
Subtotal, Public Housing	7,000	3,125,700,000	6,724	3,002,797,476
Section 8				
Section 202:				
Section 202	12,000	1,616,640,000	11,528	1,553,073,715
Section 202 amendments	NA	240,000,000	NA	230,563,200
Subtotal, Section 202	12,000	1,856,640,000	11,528	1,783,636,915
Housing Vouchers:				
Free-standing	36,900	695,377,817	35,449	668,035,561
Section 8 Opt Outs	1,000	18,845,000	961	18,104,015
Public Housing Demolitions	2,500	47,112,500	2,402	45,260,037
Voucher PHA Fees	NA	89,889,683	NA	86,355,221
Subtotal, Vouchers	40,400	851,225,000	38,812	817,754,834
Existing/Mod Rehab:				
Certificates	32,480	2,468,160,000	31,203	2,371,111,949
Moderate Rehab	10,056	922,500,000	9,660	886,227,300
Subtotal,	42,536	3,390,660,000	40,863	3,257,339,249
Loan Management	5,000	90,100,000	4,803	86,557,268
Property Disposition	4,775	444,075,000	4,587	426,613,971
Conversions-Section 23	925	46,744,875	889	44,906,867
Amendments:				
New/Sub. Rehab.	NA	46,000,000	NA	44,191,280
Existing Housing	NA	488,351,295	NA	469,149,322
Project Reserve/Loan Management	NA	338,061,667 a/	NA	324,763,001
Moderate Rehab	NA	36,548,330	NA	35,111,250
Property Disposition	NA	20,000,000	NA	19,213,600
Subtotal, Amendments	NA	928,961,292	NA	892,428,453
Subtotal, Section 8	105,636	7,608,406,167	101,482	7,309,237,557
Total, Public Housing and Sec.8.	112,636	10,734,106,167	108,206	10,312,035,033
Section 17 Development	NA	75,000,000	NA	71,775,000
Section 17 Rehabilitation	NA	75,000,000	NA	71,775,000
Total Use of Authority	NA	10,884,106,167	NA	10,455,585,033

a/ Includes $80.2 million of CA and BA for retroactive rent rebates and $40 million of contract authority and $250 million BA for reserve amendments.

FY 1986 - GROSS RESERVATIONS

--Sequestered Appropriation Compared to Administration's Proposal--

	Sequestered Appropriation		Administration Proposal	
	Units	Budget Authority	Units	Budget Authority
Carryover	NA	$918,498,386	NA	$918,498,386
Recaptures	NA	517,525,000	NA	537,525,000
Rescission of Recaptures	NA	(517,525,000)	NA	(537,525,000)
New Authority	NA	9,965,607,781	NA	9,965,607,781
Proposed Deferral	NA	NA	NA	(2,300,805,360)
Proposed Rescission	NA	NA	NA	(4,413,430,643)
Sequestration	NA	(428,521,134)	NA	(428,521,134)
Total Available	NA	10,455,585,033		3,741,349,030
Public Housing				
Public Housing	4,803	940,409,652	350	80,731,140
Indian Housing	1,921	314,718,768	0	0
Amendments	NA	288,204,000	NA	200,000,000
Lease Adjustments	NA	18,445,056	NA	19,200,000
Modernization	NA	1,441,020,000	NA	458,325,000
Subtotal, Public Housing	6,724	3,002,797,476	350	758,256,140
Section 8				
Section 202:				
Section 202	11,528	1,553,073,715	100	12,810,000
Section 202 amendments	NA	230,563,200	NA	230,000,000
Subtotal, Section 202	11,528	1,783,636,915	100	242,810,000
Housing Vouchers:				
Free-standing	35,449	668,035,561	50,000	942,250,000
Section 8 Opt Outs	961	18,104,015	1,000	18,845,000
Public Housing Demolitions	2,402	45,260,037	2,500	47,112,500
Voucher PHA Fees	NA	86,355,221	NA	107,000,000
Subtotal, Vouchers	38,812	817,754,834	53,500	1,115,207,500
Existing/Mod Rehab:				
Certificates	31,203	2,371,111,949	2,300	184,462,500
Moderate Rehab	9,660	886,227,300	1,114	102,853,890
Subtotal,	40,863	3,257,339,249	3,414	287,316,390
Loan Management	4,803	86,557,268	5,000	90,100,000
Property Disposition	4,587	426,613,971	4,000	372,000,000
Conversions-Section 23	889	44,906,867	700	35,374,500
Amendments:				
New/Sub. Rehab.	NA	44,191,280	NA	50,000,000
Existing Housing	NA	469,149,322	NA	450,000,000
Project Reserve/Loan Management	NA	324,763,001 a/	NA	280,284,500
Moderate Rehab	NA	35,111,250	NA	40,000,000
Property Disposition	NA	19,213,600	NA	20,000,000
Subtotal, Amendments	NA	892,428,453	NA	840,284,500
Subtotal, Section 8	101,482	7,309,237,557	66,714	2,983,092,890
Total, Public Housing and Sec.8.	108,206	10,312,035,033	67,064	3,741,349,030
Section 17 Development	NA	71,775,000	NA	0
Section 17 Rehabilitation	NA	71,775,000	NA	0
Total Use of Authority	NA	10,455,585,033	NA	3,741,349,030

a/ Includes $80.2 million of CA and BA for retroactive rent rebates and $40 million of contract authority and $250 million BA for reserve amendments.

c. 1987 Proposals. The 1987 Budget proposes the use of $353.9 million of contract authority and $2.3 billion of budget authority to support the 1987 program. The program level is proposed to be supported entirely by authority deferred from fiscal year 1986. A total of 50,000 incremental units are estimated to be reserved in 1987 using the Housing Voucher program. A total of $225 million of budget authority will be used for Modernization under a grant approach to funding. Modernization is discussed more fully in the Public and Indian Housing section of these Justifications.

(1) Section 8 Loan Management and Property Disposition. The Budget proposes the use of $37.4 million of contract authority and $380.5 million of budget authority for Section 8 subsidies for HUD-insured (Loan Management) projects and for use in connection with and the sale of HUD-held (Property Disposition) projects.

(2) Housing Voucher program. The Budget proposed $212.3 million of contract authority and $1.1 billion of budget authority for the Housing Voucher program. The authority will support the reservation of 53,500 vouchers. An estimated 50,000 voucher are incremental or freestanding with the remaining 3,500 earmarked for tenants affected by an owner's decision to leave the Section 8 program (opt-outs) and for tenants displaced due to the demolition of public housing projects.

(3) Section 8 Amendments. Amendments are estimated at $558.4 million of budget authority for fiscal year 1987. This includes $200 million for Existing amendment needs, $228.4 million for project reserves, $20 million for Property Disposition, $20 million fo Moderate Rehabilitation and $90 million for Section 8 amendments to Section 202 projects in the construction pipeline.

The project reserve amendment category includes amendments for projects under management including new construction and substantial rehabilitation and Loan Management.

2. CHANGES FROM THE 1985 ESTIMATES INCLUDED IN THE 1986 BUDGET.

Reprogrammings approved subsequent to enactment of the HUD-Independent Agencies Appropriation Act, 1985 (P.L. 98-371) changed the 1985 program accomplishments from prior estimates. The difference between 1985 estimates included in the 1986 Budget and actual activity during fiscal year 1985 are described below:

a. Gross Reservations. The 1985 program level changed slightly from the estimates included in the 1986 Budget proposal largely as a result of technical revisions contained in subsequent reprogramming letters and also due to a statutory provision which made a portion of unused Public Housing Modernization authority available for another use. The reprogrammings were based on data becoming available during the year which led to revised amendment estimates for Public housing and Section 8. The Appropriations Act also contained language which shifted the unreserved balance of Modernization funds (up to a maximum of $100 million of budget authority) for use under the Section 8 Existing Certificate program after June 30, 1985.

The program level contained in the Conference Report to the HUD-Independent Agencies Appropriation Act, 1985 (P.L. 98-371) contained a program level of 150,309. This level was revised at the time the 1986 Budget was prepared. The 1986 Budget proposed 128,966 unit reservations for 1985 utilizing $10,841.6 million of budget authority. The difference between the program level in the 1985 Conference Report and the 1985 level in the 1986 Budget can be attributed largely to the revised estimate of conversions from Rent Supplement/RAP to the Section 8. Actual 1985 reservations of 125,476 units were slightly below the Budget estimate reflecting subsequent reprogrammings which shifted more authority to support amendments.

The following table outlines the development program level for 1985 as included in the Conference report to the HUD-Independent Agencies Appropriation Act, 1985 (P.L. 98-371); the final reapportionment of September 10, 1985; and actual 1985 activity.

Annual Contributions for Assisted Housing

	1985 Activity							
	Conference Report		1986 Budget		Sept. 10, 1985 Reapportionment		1985 Actual	
	Units	Budget Authority	Units	Budget Authority	Units	Authority	Units	Authority
				(Dollars in Millions)				
Section 8:								
New/Sub Rehab.......	12,000	$1,709	11,617	$1,709	11,617	$1,709	12,639	$1,703
Vouchers............	42,000	774	40,849	774	40,845	774	38,364	770
Moderate Rehab......	5,000	419	5,000	419	5,000	419	4,902	415
Existing............	37,500	2,621	37,500	2,621	38,021	2,669	36,513	2,654
Loan Management.....	5,000	81	5,000	81	5,000	81	4,850	81
Property Disposition	4,715	358	5,000	464	5,000	464	5,025	435
Conversions.........	37,094	1,851	17,000	839	13,349	1,568	15,557	706
Amendments..........	NA	392	NA	398	NA	468	NA	409
Subtotal, Section 8	143,309	8,205	121,966	7,305	118,832	8,152	117,850	7,173
Public Housing:								
Public Housing......	5,000	945	5,000	945	5,000	945	5,448	941
Indian..............	2,000	313	2,000	313	2,000	313	2,178	290
Modernization.......	NA	1,725	NA	1,725	NA	1,676	NA	1,676
Other...............	NA	654	NA	554	NA	654	NA	626
Subtotal, Public Housing.........	7,000	3,637	7,000	3,537	7,000	3,588	7,626	3,533
Total, All programs.......	150,309	11,842	128,966	10,842	125,832	11,740	125,476	10,706

b. Starts. Total Section 8 and Public Housing new construction and substantial rehabilitation starts were estimated at 28,434 units for 1985 in the 1986 Budget. This total included 18,000 Section 8 starts, 7,134 Public Housing starts and 3,300 Indian Housing starts. Actual 1985 starts activity amounted to 20,371 units including 9,238 Section 8 starts, 7,714 Public Housing and 3,419 Indian Housing starts.

c. Completions. Total completions, including Public and Indian Housing and existing units made available for occupancy, were estimated at 172,630 units for 1985 in the 1986 Budget. Actual completions totaled 120,128 units. Section 8 completions had been estimated at 148,500 units with the actual only reaching 100,861 units.

d. Deobligations. The following table provides the estimates of deobligations in the 1986 Budget for fiscal year 1985 and the actual 1985 deobligations. Pursuant to the HUD-Independent Agencies Appropriations Act of 1985 (P.L. 98-371), recaptured authority during fiscal year 1985 was rescinded. The legislative proposals associated with debt forgiveness were not enacted in 1985 as assumed and, therefore, the $23 billion recapture/rescission projected for 1985 was not realized.

ESTIMATED VS. ACTUAL 1985 DEOBLIGATIONS

SOURCE	1986 Budget		1985 Actual	
	Units	Budget Authority	Units	Budget Authority
		(Dollars in Millions)		
Public Housing a/...........	5,574	$750.0	2,647	$440.1
Section 8:				
New/Substantial Rehab.....	2,900	418.0	714	144.4
Moderate Rehab............	1,500	80.0	1,635	70.5
Existing..................	2,000	44.0	2,056	53.2
Subtotal, Section 8.....	6,400	542.0	4,405	268.1
Total Public Housing and Section 8.............	11,974	1,292.0	7,052	708.2
Legislative proposals.......	NA	22,958.4	NA	...
Total.....................	11,974	24,250.0	7,052	708.2

a/ Does not include Section 23.

Annual Contributions for Assisted Housing

3. CHANGES FROM THE 1986 BUDGET ESTIMATES.

The estimates in the 1986 Budget included a proposed moratorium on funding for additional (incremental) subsidized housing units. Only Section 8 amendments, vouchers for Section 8 opt-outs and Public Housing Demolitions, and Section 8 existing (Loan Management, Property Disposition and Conversions) reservations were proposed. Public Housing funding was available for Lease Adjustment, amendments, and a limited Modernization program. The original 1986 program was estimated to require only $1,391.9 million of budget authority.

The Conference Report to the HUD-Independent Agencies Appropriations Act of 1986 (P.L. 99-160) included a program level of 111,500 reservations for Section 8 and Public Housing utilizing $10,724.9 million of budget authority. As noted earlier, this initial program approved by Congress was subsequently adjusted for more current cost assumptions, actual carryover, and several technical adjustments. This "Operating Plan" was further modified to reflect sequestration pursuant to P.L. 99-177. The result was a program level of 108,206 units, utilizing $10.3 billion in budget authority.

The 1986 estimates contained in the 1987 Budget reflect the Administration's efforts to reduce Federal spending and, as a result, reflect a recission and deferral as previously discussed. The sequestration of funds under the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) also reduce the 1986 program level.

The following table compares several measures of program activities at various stages in the development of the 1986 subsidized housing program.

	FISCAL YEAR 1986 ESTIMATES		
	IN 1986 BUDGET	SEQUESTERED APPROPRIATION (Dollars in Thousands)	IN 1987 BUDGET
Reservations (units)			
Section 8	11,000	62,670	13,214
Housing Vouchers	3,500	38,812	53,500
Public Housing	...	4,803	350
Indian Housing	...	1,921	...
Total	14,500	108,206	67,064
Starts (units)			
Section 8	15,500	NA	10,000
Public Housing	3,000	NA	8,000
Indian Housing	2,800	NA	2,800
Total	21,300	NA	20,800
Completions (units)			
Section 8	173,000	NA	117,000
Public Housing	23,074	NA	16,000
Indian Housing	3,300	NA	2,800
Total	199,374	NA	135,800
Use of Contract Authority			
Section 8	$167,847	$585,841	$295,218
Housing Vouchers	13,118	163,551	223,042
Public Housing:			
Development	...	42,587	2,691
Modernization	175,000	72,051	22,916
Lease Adjustments	19,200	18,445	19,200
Amendments	82,322	9,938	6,897
Total	457,487	892,413	569,964
Contract Authority			
Released or Requested	$356,446	$838,804	$838,804
Budget Authority			
New Authority	499,000	9,965,608	9,965,608
Use of Budget Authority (gross)	1,391,945	10,312,035	3,741,349

Annual Contributions for Assisted Housing

EXPLANATION OF INCREASES AND DECREASES

1. Reservations. Total reservations under the Subsidized Housing programs are projected to decrease from the 67,064 units proposed for 1986 to 62,500 units in 1987. The decrease is attributable to an end to new construction activity—Section 202 and Public/Indian Housing--limiting Section 8 Existing to loan management and property disposition, and terminating the Moderate Rehabilitation set-aside. Incremental activity will continue at the 50,000 unit level in 1987 under the Voucher program, as will provision for opt-outs and demolished Public Housing.

The following table summarizes the distribution of unit reservations during 1985-1987 for the Section 8 and Public Housing programs combined:

	TOTAL RESERVATIONS		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(In Units)	
New construction	18,777	450	...
Substantial rehabilitation	1,210	...	...
Subtotal, new and substantial rehabilitation	19,987	450	...
Existing housing	62,223	12,000	9,000
Couversions	(15,557)	(...)	(...)
Housing Vouchers	38,364	53,500	53,500
Moderate rehabilitation	4,902	1,114	...
Subtotal, existing housing and moderate rehabilitation	105,489	66,614	62,500
Total	125,476	67,064	62,500

2. Contract Authority and Budget Authority. The 1987 Budget proposal is designed to provide additional units to the subsidized housing inventory while controlling the rate of increase in obligation and disbursements under these programs. The following table summarizes the estimated changes in program activity from 1986 to 1987 which account for the decrease in use of budget authority.

1986-1987--DECREASE IN USE OF BUDGET AUTHORITY

	(Dollars in Millions)
Gross use of authority in 1986	$3,741.3
Program changes resulting in reductions in use of authority:	
Public Housing:	
Reductions due to:	
No development	-80.7
Reduced amendments	-141.1
Decrease of Modernization due to new financing mechanism	-233.3
Net decrease in budget authority to be recaptured from adjustments to Section 23 contracts	-2.9
Subtotal, Public Housing	-458.0
Section 8:	
Reductions due to fewer units	-335.5
Reductions due to reduced per unit costs	-81.6
Reduction due to implementation of Voucher fee cost sharing.	-53.5
Reduction due to Amendment funding	-511.9
Subtotal, Section 8	-982.5
Subtotal, Public Housing and Section 8	-1,440.5
Gross use of authority in 1987	2,300.8

3. Deobligations. Recaptures (deobligations) of contract authority and budget authority in 1986 reflect regular pipeline deobligations, those deobligations anticipated as a result the Public Housing financing proposal and deobligations under the Section 235 Restructured program. A total of 75,431 units remain in the Section 8 New construction and Substantial Rehabilitation processing pipeline at the end of fiscal year 1985. This includes 37,200 units in the pre-construction (reserved not started) pipeline and 38,231 units in the construction (started not completed) pipeline. Another 55,134 units remain in the Public Housing pipeline including 21,101 units in the pre-construction pipeline and 34,033 units in the construction pipeline. The Department will continue to monitor the progress of these units against their prescribed processing milestones.

The following table summarizes the deobligation assumptions utilized in developing the 1986 and 1987 estimates:

1986-1987 RECAPTURE (DEOBLIGATION) ASSUMPTIONS

SOURCE	1986 UNITS	1986 BUDGET AUTHORITY	1987 UNITS	1987 BUDGET AUTHORITY
		(Dollars in Millions)		
Public Housing	2,153	$299.0	461	$65.3
Section 8:				
New/Substantial Rehabilitation	1,000	150.0	1,000	131.0
Moderate Rehabilitation	1,000	53.3	1,000	52.8
Existing	500	15.3	500	15.3
Subtotal, Section 8	2,500	218.6	2,500	199.1
Section 235 (Restructured)	NA	20.0	NA	NA
Subtotal, deobligations	4,653	537.6	2,961	264.4
Legislative proposals	NA	21,762.9	NA	6,042.0
Total Deobligations	4,653	22,300.5	2,961	6,306.4

a. Section 8 Pipeline. Recaptures of $218.6 million of budget authority in 1986 and $199.1 million of budget authority in 1987 are estimated for Section 8. Recaptures are estimated to involve Section 8 new construction and substantial rehabilitation projects in the amount of $150.0 million in 1986 and $131.0 million of budget authority in 1987. This includes an estimated 1,000 units each year which are expected to be deobligated based on the assumption that some owners of Section 8 New Construction and Substantial Rehabilitation projects will exercise their legal option.

b. Public Housing Pipeline. Legislation is proposed to change the method of financing Public Housing and, if enacted, budget authority estimated at $21.8 billion in 1986 and $6.0 billion in 1987 would be recaptured and rescinded. A description of this proposal is included in the Public and Indian Housing section of this Justification. For the Public Housing pipeline, it is estimated that 2,153 Public and Indian units in the Public Housing pipeline will drop out in 1986 followed by another 461 units in 1987. Public Housing recaptures are expected to total $299.0 million and $65.3 million, respectively. The pipeline of unstarted units is declining as a result of the cut-back in new reservations. As a result, deobligations are expected to decrease accordingly.

c. Section 235 (Restructured). The Second Supplemental appropriations Act of 1984 (P.L. 98-396) approved authority for the restructured program under the Annual Contributions account. The Budget proposes the rescission of estimated recaptures in 1986. The current estimate is $2 million of contract authority and $20 million of budget authority.

4. Construction Starts. Section 8 construction starts are expected to stabilize at 10,000 units in both 1986 and 1987. As a result of fewer new reservations, the Section 8 pipeline of reserved but unstarted units is expected to decrease from 37,200 units at the end of 1985 to 15,300 units by the end of 1987.

5. Construction Completions. Completions, including existing housing units made available for occupancy in the Section 8 program, are expected to increase by 3,000 units from 117,000 units in 1986 to 120,000 units in 1987 as a result of a increased number of existing units in the pipeline. The total of 120,000 units in 1987 includes approximately 83,500 units under the Housing Voucher program.

6. Average Unit Cost Estimates. Average unit costs for the various programs are discussed below for the period 1985-1987. The following table presents a comparison between actual costs and the various estimates which have been made, by program and construction type:

COMPARISON OF AVERAGE UNIT COSTS FOR 1985-1987

DEVELOPMENT METHOD	1985 COSTS IN 1986 BUDGET	1985 COSTS ACTUAL	1986 COST ESTIMATES IN 1986 BUDGET	1986 COST ESTIMATES IN 1987 BUDGET	1987 COST ESTIMATES IN 1987 BUDGET
PUBLIC HOUSING					
New Construction/Sub Rehab	$6,300	$6,091	NA	$7,689	NA
Indian Housing...........	5,585	5,610	NA	5,850	NA
SECTION 8					
New Construction/Sub Rehab					
Section 202............	6,459	5,946	NA	NA	NA
Existing Housing:					
Regular Rental.........	4,659	4,879	NA	5,347	NA
Vouchers: a/					
Incremental............	3,404	3,730	NA	3,769	$3,769
Rental Rehab...........	3,404	3,583	NA	NA	NA
Public Housing.........	3,357	7,460	$3,357	3,769	3,769
5-Year Opt-Outs........	3,357	4,856	3,357	3,769	3,769
Loan Management..........	6,186	3,475	3,375	3,604	3,604
Property Disposition.....	6,186	6,124	4,668	6,200	4,840
Moderate Rehabilitation..	5,590	5,898	NA	6,155	NA

a/ Excludes PHA fees for comparability purposes.

1985 Average Unit Costs. For the Section 8/202 program, the estimated average new construction and substantial rehabilitation per unit costs of $6,459 decreased to $5,946 partly based upon geographic location of the projects. Also, since the set-aside of Section 8 authority included in the Appropriations Act was not sufficient to support the full number of units supported with available Section 202 loan authority, across-the-board adjustments were made to the Section 8 reservations. Per unit costs estimated for Section 8 Existing Certificates were increased from $4,659 to $4,879 per unit. Slight increases also were noted for Loan Management and Moderate Rehabilitation. Vouchers average costs during 1985 also increased from the estimates in the 1986 Budget.

1986 Average Unit Costs. The average unit cost estimates for Section 202 in the 1986 Budget were not provided due to the moratorium proposal. Current 1986 Voucher estimates have been revised to reflect 1985 actuals on a weighted basis. The current Property Disposition per unit cost estimate is slightly increased from the estimate in the 1986 Budget reflecting a higher mix of moderate rehabilitation for current pipeline projects. The Moderate Rehabilitation program estimates are based upon the cost of the units approved in 1986.

1987 Average Unit Costs. The Budget includes proposed legislation to freeze FMRs and voucher payment standards during 1987 at the 1986 level. However the Property Disposition costs are expected to be lower than the current 1986 estimate due to the expectation for a shift in project mix weighted towards use of Section 8 existing, rather than a Moderate Rehabilitation subsidy.

Administrative Fees. A large share of the administrative responsibility for the operation of the Section 8 program and for the Housing Voucher program is vested in State Agencies and Public Housing Authorities (PHAs). The Agencies are reimbursed for their efforts by means of a three phase administrative fee which is designed to cover start-up costs, ongoing administrative costs and special extra costs attributable to providing housing assistance to large households.

For the past several years, the Administration has been concerned that the formula utilized for determining the fee level for a PHA participating in the program might not be a reasonable measure for actual costs. For example, the fee formula is driven by the Fair Market Rent (FMR) in the given locality and so PHAs in expensive rent localities receive larger fees than those in lower rent areas and there may not necessarily be a concrete relationship between rent levels and fees. In addition, higher rents and, as a result, higher fees tend to occur in larger localities with larger numbers of subsidized units under management. The current formula does not take into account potential economies of scale where large numbers of units are under management. Two years ago the Department proposed a modification to the existing fee structure but withdrew the proposal following the discovery of some erroneous data.

Annual Contributions for Assisted Housing

Last year, the Budget proposed an across-the-board ten percent reduction in administrative fees covering a wide range of Federal activities including the Section 8 Moderate Rehabilitation, Certificate and Housing Voucher programs. This reduction was implemented during 1985. The Senate Report on the 1986 Appropriation Act approved the reduction but expressed concern that the fee cut should not be allowed to impair the ability of Agencies in administering the programs. Therefore, the Report instructed the Department to implement an appeal process for PHAs to justify exemption from the ten percent reduction. Because of the changes which are being proposed as a part of the 1987 Budget, this appeal process is not being implemented.

The 1987 Budget proposes two substantial changes to the current fee structure. These changes are intended to: (1) Eliminate the existing fee advantage Certificates hold over Housing Vouchers; and (2) Promote improved administrative efficiency by sharing the financial responsibility with the administering agencies.

During 1986, regulations will be published which will require a reduction in Certificate fees to the level payable under the Housing Voucher program. There does not appear to be a decisive difference in administrative burden between the two programs and there is no reason to provide PHAs a disincentive for participating in the Housing Voucher program.

Legislation also is proposed which will require a fifty-fifty cost sharing of administrative costs between the Federal government and the participating States and localities. The substantial Federal deficit requires that every effort should be made to minimize administrative inefficiencies and a sharing of the costs with the administering agencies will help create the incentive to reduce unnecessary expenditures. In addition, cost sharing is consistent with federal assistance provided under other Federal programs (such as Food Stamps).

The changes to administrative fees which have been implemented or are being proposed for implementation will substantially reduce Federal subsidy expenditures. The following table provides a comparison of the relative impact of these changes on the annual fee amounts for a Certificate unit and a Housing Voucher unit in 1987.

	Base Fee (Prior to Changes)	1985 (10 Percent Reduction)	1986 (Fee Comparability)	1987 (Cost Sharing)
Certificates....................	$516	$465	$395	$198
Vouchers........................	440	395	395	198

PROGRAM DESCRIPTION

1. SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

The Section 8 program was authorized by the United States Housing Act of 1937, as amended, and since 1975, has been the major HUD program for providing Federally assisted rental housing. A principal feature of the program has been the ability to use a variety of financing mechanisms to assist the development of newly constructed or rehabilitated projects. Available mechanisms include conventional financing, HUD-insured mortgages, Section 202 Housing for the Elderly or Handicapped direct loans, tax-exempt financing through instrumentalities of PHAs (Section 11(b) financing), State Housing Finance and Development Agencies (HFDAs), and financing various program administered by the Farmers Home Administration. Pursuant to the Urban-Rural Recovery Act, 1983 (P.L. 98-181) Section 8 New Construction and Substantial Rehabilitation authority been repealed except authority for use in conjunction with the Section 202 Housing for the Elderly or Handicapped program.

Under Section 8, the subsidy provided is designed to cover the full cost of housing, both debt service and operating expenses. The program can make use of existing housing or provide subsidies to tenants in newly constructed or rehabilitated Section 202 projects.

Annual Contributions for Assisted Housing

a. Section 8 Housing Voucher. The Housing Voucher Demonstration program was authorized under the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181). The Housing Voucher program was designed by the department to accommodate two sometimes conflicting goals: the need to control Federal spending levels in order to provide for a more stable economic environment and the need to meet legitimate housing assistance needs throughout the nation using existing housing resources. The reliance on existing housing stock reflects research which clearly indicates that low-income housing problems generally represent affordability rather than availability issues.

The Section 8 Voucher program is based on the following program considerations:

(1) Availability of Units. Section 8 Housing Vouchers are made available: (a) to assist new families (incremental units), including those families occupying units provided through the Rental Rehabilitation Programs; (b) to tenants of public housing projects which are sold or demolished; and (c) to tenants of Section 8 projects displaced when owners fail to renew their contracts.

(2) Payment Standard. The present Section 8 Regular Existing Housing program establishes a maximum rent ceiling based on a HUD determined Fair Market Rent. Under the Housing Voucher program, there would be no maximum rent ceilings. The FMRs severely limit the opportunities families have to choose their housing and neighborhoods. Families holding a Housing Voucher would be able to choose any existing unit meeting quality standards at any rent level.

In general, the subsidy the new tenant receives is the difference between determined Payment Standard and 30 percent of adjusted household income.

The Payment Standard is established at the 45th percentile of rents of standard quality units including recent movers but excluding housing units and units built in the previous two years. A family would be permitted to rent above the Payment Standard, but would not receive additional subsidy if it did. Similarly, families could rent below the Payment Standard and would be able to keep any savings they might realize by negotiating low rents.

(3) Subsidy Increases. The Housing Voucher program will allow PHAs to make subsidy adjustments during the five year contract term to assure continued affordability. PHAs at the State and local level would be able to determine the amount that the subsidy level should be adjusted to reflect changes in rent levels.

(4) Tenant Eligibility. Initial eligibility in the Section 8 Housing Voucher program is limited to families with incomes at or below 50 percent of area median family income. However, families would continue to receive assistance as income increased until the subsidy was reduced to zero or the end of the Annual Contributions Contract, whichever occurs first. Families previously assisted under Section 8 or in Public Housing scheduled for demolition or in certain other programs would qualify for assistance even though income is above 50 percent of area median income. This would be based on the family's previous qualification for these programs. Preference is given to families which, at the time they are seeking assistance, occupy substandard housing, are involuntarily displaced, or are paying more than 50 percent of family income for rent.

(5) Minimum Rents. For a small number of families, it is possible that the subsidy under the Housing Voucher program (difference between the Payment Standard and 30 percent of adjusted income) could exceed the rent on the unit to be chosen by the family. To avoid the possibility of providing more subsidy than rent and to assure that families contribute a portion of their income toward rent, all households would be required to pay at least 10 percent of their gross income for rent. In addition, the assistance shall not exceed the amount by which the lower of the rent or Payment Standard exceeds the "welfare rent" in so called "as paid" States.

(6) Portability of Vouchers. Families receiving assistance under the Section 8 Housing Voucher program would be able to move to other areas, including other States, and retain their vouchers.

(7) Rent Increases. The Housing and Community Development Amendments of 1981 authorized the Department to increase the percentage of tenant income to be paid for rent from 25 percent to 30 percent. The increase was phased-in, reaching 30 percent in 1986. The new tenants are charged 30 percent of adjusted income when they enter the Section 8 Housing Voucher program. Tenant rent generally cannot increase by more than 10 percent in any one year as mandated by the Housing and Community Development Amendments of 1981.

(8) Program Administration. The Section 8 Voucher program is administered by PHAs currently administering the Section 8 Existing Housing program. PHAs are reimbursed for initial screening of tenants, for ongoing oversight activities and for conducting an initial inspection of units to determine if they meet minimum quality standards. Thereafter, for a household to remain in the program, its unit must pass an annual inspection by the PHA. The standards are those used in the Section 8 Existing Housing program. The Budget assumes that in 1987 program administrative costs will be shared with states and localities.

b. New Construction and Substantial Rehabilitation. The Housing Urban-Rural Recovery Act, 1983 repealed the authority for new construction and substantial rehabilitation except for Section 202 (Housing for the Elderly and Handicapped). Under the new construction and substantial rehabilitation development procedures, HUD issues a Notification of Fund Availability (NOFA) inviting submission of proposals for an estimated number of units from a particular area. This procedure is now applicable only to units developed in conjunction with the Section 202 Housing for the Elderly or Handicapped Program. Nonprofit organizations may respond by a specified deadline with proposals to develop all or part of the units requested. Proposals are reviewed by HUD and are given Section 8 assistance once the project is approved under Section 202.

Successful developers submit a final proposal and an architect's certification in lieu of HUD review of working drawings. These projects are subject to the same processing requirements as all insured projects. If the final proposal is acceptable, HUD agrees to enter into an agreement to enter into a Housing Assistance Payments Contract, and construction or rehabilitation begins. Upon acceptable completion of the project, the Housing Assistance Payments Contract is executed between HUD and the owner. Owners are responsible for selection of tenants, maintenance and operation of the units.

c. Existing Housing. Under the existing housing certificate program, families determined eligible by the local PHA are given a Certificate of Family Participation and then may seek a suitable dwelling unit in the market or choose to remain in their present dwelling units, provided the units are eligible for a Section 8 subsidy. Upon meeting program regulation requirements pertaining to housing quality and rental schedules, the owner and family may sign a lease agreement subject to the approval of the PHA. A Housing Assistance Payments contract is then executed between the PHA and the owner which provides that the owner receive a monthly payment equal to the difference between the rent payable to the owner by the family and the approved total rent for the unit. Beginning in 1986 additional Section 8 Existing Certificates are proposed to be discontinued. However, should additional funding be provided for Certificates, Regulations will be implemented which would result in modification intended to make the program more compatible with Housing Vouchers.

d. Moderate Rehabilitation. Existing housing units that do not meet the established housing quality standards may be eligible for moderate rehabilitation. Moderate rehabilitation activities cover such items as the repair of leaking roofs, the reconditioning or replacement of obsolete heating plants and the repair of electrical, plumbing or other housing systems. Project owners are able to obtain financing to cover the costs of such repairs from any public or private source. The maximum Section 8 subsidy paid to these projects considers the amount of rehabilitation required and the cost of financing the rehabilitation. Costs for these units are expected to be higher than those authorized for regular existing housing units which do not require similar upgrading.

e. Fair Market Rents. The initial Section 8 contract rents are based on the Fair Market Rent (FMR) limitations established for each major housing market in the nation. These limits, which are updated at least annually, are based on rentals for various sizes and types of housing units of a modest nature in the chosen market area. Separate schedules are developed for newly constructed housing and for existing housing. Within these two major divisions, separate FMRs are set by bedroom size. For new construction, FMRs are established for five structured types: detached, semi-detached row, walk-up and elevator. The actual initial maximum monthly rent for an assisted unit cannot exceed the FMR established for a given area by more than 10 percent (20 percent under certain special conditions). Rents for a specific project also are judged on the basis of a "reasonableness test" which is designed to determine the rents which unassisted families would be willing and able to pay for similar units. The 1987 Budget proposes a freeze on the 1987 FMRs based on the 1985 level.

(1) Rent Comparability. Current regulations for the Section 8 new construction and substantial rehabilitation programs limit annual adjustments to contract rents, following contract execution or cost certification, to an amount which will not result in material differences between rents charged assisted units and those charged for the comparable unassisted units, except to the extent that differences existed at the time of contract execution or cost certification. In other

words, while the rent on the subsidized unit may be higher than the rent on the given unassisted comparable unit at the date of project completion, the dollar magnitude of this initial differential should not be allowed to increase over time based upon the application of the annual adjustment factor Based upon reports by the Department's Inspector General, this initial differential has been increasing in substantial numbers of Section 8 new construction and substantial rehabilitation projects.

(2) Contract Rent Adjustments. The Housing and Community Development Act of 1974, which authorized the Section 8 program, also authorized annual adjustments to the maximum rents. Under Section 8(c)(2)(D), the Department was to establish an operating cost-based limitation on contract rent adjustments for certain Section 8 projects. The implementation of this feature has not proven feasible due to methodological and data problems associated with establishing the operating cost adjustments. The Department intends to shift its efforts on reducing excessive contract rent allowances through a more strict enforcement of the current rent comparability provisions in the law. The Budget also proposes a zero annual adjustment factor in 1987 for units already under base where allowable under the contract.

PROGRAM ACTIVITY

1. Reservations. Gross reservations by year for the period 1985-1987 are as follows:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
SECTION 8			
New Construction:			
Section 202	12,119	100	...
Substantial Rehabilitation:			
Section 202	520	...	...
Moderate Rehabilitation:			
Moderate Rehabilitation	4,902	1,114	...
Property Disposition	2,574	... a/	... a/
Subtotal	7,476	1,114	...
Existing Housing:			
Regular Rental	36,513	2,300	...
Housing Vouchers	38,364	53,500	53,500
Property Disposition	2,451	4,000 a/	4,000 a/
Loan Management	4,850	5,000	5,000
Subtotal	82,178	64,800	62,500
Conversions:			
Section 23	854	700	...
Rent Supplement/RAP	14,703	...	...
Subtotal	15,557	700	...
Total, Section 8	117,850	66,714	62,500
PUBLIC HOUSING			
New Construction	4,480	350	...
Substantial Rehabilitation	690	...	...
Existing Housing	278	...	...
Indian Housing	2,178	...	...
Total, Public Housing	7,626	350	...
Total Reservations, Section 8 and Public Housing	125,476	67,064	62,500

a/ Mix of property disposition units may vary between moderate rehabilitation or existing as needs require.

2. Units Not Under Construction. The status of outstanding reservations in terms of units reserved but not yet under construction at the beginning of the year, new construction and substantial rehabilitation units added during the year, construction starts during the year, and outstanding new construction and substantial rehabilitation reservations not under construction at the end of the year follows:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
SECTION 8			
Outstanding reservations not under construction, start of year	34,513	37,200	26,300
Reservations added in year	12,639	100	...
Net Construction starts in year	-714	-10,000	-10,000
Deobligations in year	-9,238	-1,000	-1,000
Outstanding reservations not under construction, end of year	37,200	26,300	15,300

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
PUBLIC AND INDIAN HOUSING			
Outstanding reservations not under construction, start of year	27,493	21,101	8,498
Reservations added in year	7,312	350	...
Construction starts in year	-2,571	-2,153	-461
Deobligations in year	-11,133	-10,800	-5,500
Outstanding reservations not under construction, end of year	21,101	8,498	2,537

3. Construction Starts. During 1985, construction was started on 20,371 units. Starts for an additional 20,800 units are estimated for 1986 and 15,500 units are estimated for 1987. Starts by program follow:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
SECTION 8			
New Construction	8,695	9,000	9,000
Substantial Rehabilitation	543	1,000	1,000
Subtotal, Section 8	9,238	10,000	10,000
PUBLIC HOUSING			
New Construction	6,103	6,400	2,400
Substantial Rehabilitation	1,611	1,600	600
Indian Housing	3,419	2,800	2,500
Subtotal, Public Housing	11,133	10,800	5,500
Total Starts, Section 8 and Public Housing	20,371	20,800	15,500

4. Under Construction. The status of the Section 8 and Public Housing units under construction follows:

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	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
SECTION 8			
Under construction, Start of year................	55,936	38,231	36,731
Construction starts in year......................	9,238	10,000	10,000
Construction completions in year.................	-26,943	-11,500	-10,000
Under construction, End of year..................	38,231	36,731	36,731
PUBLIC HOUSING			
Under construction, Start of year................	41,993	34,033	26,033
Construction starts in year......................	11,133	10,800	5,500
Construction completions in year.................	-19,093	-18,800	-17,800
Under construction, End of year..................	34,033	26,033	13,733

3. Administrative Commitments and Obligations. The following table distinguishes commitments (reservation of authority) from actual obligations (when HAP or ACC contract is executed) through 1987.

ADMINISTRATIVE COMMITMENT AND OBLIGATION RECONCILIATION

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
SECTION 8:			
Administrative commitments, SOY.........	$36,393,930	$36,484,568	$33,049,086
Reservations during year................	7,173,466	2,983,093	2,000,605
Prior year adjustments..................	33,980	...	...
Recaptures during year..................	-268,197	-218,575	-199,100
Obligations in year.....................	-6,848,611	-6,200,000	-5,500,000
Administrative commitments, EOY.......	36,484,568	33,049,086	29,350,591
PUBLIC HOUSING:			
Administrative commitments, SOY.........	9,351,117	9,068,373	6,327,679
Reservations during year................	3,533,013	758,256	300,200
Prior year adjustments..................	87,827	...	...
Recaptures during year..................	-558,832	-298,950	-65,262
Obligations in year.....................	-3,344,752	-3,200,000	-2,200,000
Administrative commitments, EOY.......	9,068,373	6,327,679	4,362,617
Administrative commitments, Total.....	45,552,941	39,376,765	33,713,208

LONG RANGE COST OF RENEWALS

In response to congressional concern expressed in connection with the 1986 Budget, the Department prepared an estimate in June, 1985 on the expected cost of refunding all subsidized housing contracts which would expire through the year 2000. The congressional concern was based upon an analysis prepared by the Senate Subcommittee on Housing and Urban Affairs which estimated contract renewal costs and the cost of additions to the inventory of approximately $75 billion between Fiscal Years 1990 and 2000. The Subcommittee estimates assumed that the Administration's proposed shift to Housing Vouchers (with a shortened five-year term) aggravated this situation. In addition, there was concern that the Administration had not openly stated its position on whether and how such expiring contracts would be renewed.

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In a June 13, 1985 letter, the Department responded noting that the expiration of subsidy contracts was characteristic of all subsidy programs and was not solely a feature of the Housing Voucher program which uses a shorter five-year contract term. The letter also made it clear that there was no plan to cause a sudden and large drop in the number of units receiving housing assistance. The general assumption of all Administrations has been that an evaluation of housing conditions, rents, incomes and need would have to be made to determine whether or not contract extensions, new contracts, or some other solution would be necessary.

The Department's initial analysis found that approximately 3.4 million Section 8 new construction/substantial rehabilitation units, moderate rehabilitaton units, Section 8 Certificates and Vouchers would be affected by contract expirations starting in fiscal year 1990 and extending through the year 2000. To prevent the loss of these units from the assisted housing inventory, an estimated $104 billion of budget authority would have to be made available to renew the contracts, assuming that the units were replaced with 5-year term Housing Vouchers.

For the fiscal years through 1991, the analysis indicated that a total of 320,633 units would be affected by contract expirations. Refunding costs utilizing 5-year Vouchers would total over $8 billion of budget authority by 1991.

As directed in the Senate Report to the HUD-Independent Agencies Appropriation Act of 1986 (P.L. 99-160), this initial Departmental analysis has been updated to reflect actual units under payment by the end of fiscal year 1985, and also using the revised economic and program assumptions included in the 1987 Budget.

1. Assumptions. The initial analysis was based on program and economic assumptions contained in the 1986 Budget proposal. The updated analysis is based on the 1987 Budget program and economic assumptions and also adjustments to unit expiration estimates. The following compares the assumptions contained in the initial analysis with those in the revised analysis:

a. Program level - Incremental. The initial analysis assumed that, following a two-year moratorium, 98,000 Section 8 incremental units would be reserved in 1988 and each year thereafter. Completions would follow the year after reservation beginning in fiscal year 1989. The total included 88,000 Housing Vouchers and 10,000 Section 8/202 units. The initial analysis also assumed acceptance of the 1986 Budget moratorium on the reservation of incremental units in fiscal years 1986 and 1987. The revised analysis assumes the reservation of 50,000 incremental Housing Voucher units beginning in fiscal year 1986. Completions are also assumed for the fiscal year following the year of reservation. Due to the reduced program level assumed under the Budget updated analysis, a reduction of 116,000 Housing Voucher unit expirations is anticipated.

b. Fiscal year 1985 actual data. The updated analysis utilizes fiscal year 1985 actual completion data. The initial analysis assumed the completion of 148,500 Section 8 units in fiscal year 1985. The actual data indicated that 100,861 Section 8 units were completed, a reduction of 47,639 units. The reduction of unit completions had the effect of reducing estimated unit expirations in fiscal years 1990, 1995 and 2000.

c. New Construction/Substantial Rehabilitation contract expirations. The initial analysis assumed that all the new construction and substantial rehabilitation units that were completed through fiscal year 1980 would have contracts that would expire by fiscal year 2000. The revised analysis assumes a reduced level of new construction and substantial rehabilitation expirations by the year 2000. This reduction reflects the fact that contracts were signed under this segment of the Section 8 program for 20, 30 and 40 year terms. The current number of unit expirations was adjusted to reflect an estimate of those contracts that were signed for 20 year terms as they would be the only new construction/substantial rehabilitation contracts to expire by the fiscal year 2000. This adjustment reduced unit expirations by 108,709 units by the end of fiscal year 2000.

d. Per Unit Cost (contract authority) Costs. The initial analysis assumed a 3.4 percent inflation factor to be applied to per unit costs starting in 1989. The revised analysis projects a 2.3 percent increase starting in 1990 reflecting the assumptions contained in the 1987 Budget.

e. Voucher Refunding. As in the initial analysis, the revised analysis assumes refunding expiring contracts with Housing Vouchers for a five year term. This includes funding for the Administrative costs of the Housing Voucher program. However, unlike the initial analysis, the revised version reflects cost-sharing of one-half or 50 percent of the administrative fee with State and local governments.

Annual Contributions for Assisted Housing

2. Unit Expirations. The updated estimates reflect a total of 3.1 million Section 8 units that would be affected by contract expirations beginning in fiscal year 1990. The following table provides a breakout by fiscal year of the revised unit estimates and a comparison with the initial estimates as contained in the June 13, 1985 letter.

CONTRACT EXPIRATIONS
(Section 8 Units)

FISCAL YEAR	INITIAL ESTIMATE (JUNE 13 LETTER)	REVISED ESTIMATES	REV. vs. INITIAL DIFFERENCE
1990.................	23,493	12,640	-10,853
1991.................	297,140	302,847	5,707
1992.................	176,244	223,744	47,500
1993.................	158,595	208,595	50,000
1994.................	207,124	169,124	-38,000
1995.................	197,258	151,905	-45,353
1996.................	463,406	427,714	-35,692
1997.................	409,069	407,146	-1,923
1998.................	438,866	429,361	-9,505
1999.................	511,790	405,220	-106,570
2000.................	533,750	365,644	-168,106
Total..............	3,416,735	3,103,940	-312,795

As noted previously, the major reasons for the unit expiration differences between the initial estimates and the revised level are: the availability of actual year 1985 data; an adjustment to the number of new construction/substantial rehabilitation units affected by contract expirations; and 1987 Budget assumptions regarding unit completions.

3. Refunding Costs. As in the initial analysis, the revised analysis assumes the refunding of contract expirations with Section 8 Housing Vouchers for a five-year period. The contract authority (per unit) costs attributed to the Vouchers in fiscal years 1990-2000 is based on 1987 Budget economic assumptions regarding inflation. The 1987 Budget assumed a Voucher per unit cost of $4,167 in 1990 which was inflated by 2.3% per year to reach an estimate of $5,231 in fiscal year 2000.

In addition, the revised analysis assumes that the administrative costs for Public Housing Authorities to administer the Voucher program would be shared by states and localities. These costs for the Department were estimated at $232 per unit in fiscal year 1990 and using the 2.3 percent inflation factor the cost increases to $291 per unit by fiscal year 2000.

The following table indicates the refunding costs under the initial analysis as compared to those under the revised analysis.

SECTION 8
REFUNDING COSTS
(Budget Authority)
(Dollars in Millions)

FISCAL YEAR	INITIAL ANALYSIS (JUNE 13 LETTER)	REVISED ANALYSIS	REV. vs. INITIAL DIFFERENCE
1990................	$537.1	$265.2	-271.9
1991................	7,521.2	6,636.1	-885.1
1992................	4,870.6	5,075.3	+204.7
1993................	4,640.9	4,788.7	+147.8
1994................	6,012.2	3,948.0	-2,064.2
1995................	5,876.4	3,605.8	-2,270.6
1996................	14,010.1	10,455.3	-3,554.8
1997................	12,567.5	10,076.2	-2,491.3
1998................	13,706.5	10,753.5	-2,953.0
1999................	16,552.6	10,517.7	-6,034.9
2000................	17,606.0	9,790.1	-7,815.9
Total.............	103,901.1	75,911.9	-27,989.2

Annual Contributions for Assisted Housing

The reduction of almost $28 billion of budget authority in refunding costs through FY 2000 is reflected in the revised analysis and can be largely attributed to the reduced number of units affected by the contract expirations, as noted previously. In addition, the voucher per unit costs and the administrative costs were revised to a reduced level, reflecting program and economic assumptions included in the 1987 Budget.

4. "In-Kind" Refunding. As part of the revised analysis, an exercise was undertaken to determine the cost of refunding the units affected by contract expirations with an identical or "in-kind" subsidy; for example, refunding expiring moderate rehabilitation contracts with new moderate rehabilitation contracts. Other than per unit cost estimates for refunding, the assumptions utilized were identical to those for the Voucher (5-year term) refunding including inflation factors used to determine per unit costs, the number of units affected by contract expirations and also refunding the contracts for a 5-year term. The results indicated that an additional $14 billion of budget authority or $90 billion in total would be required to refund the same number of units through the fiscal year 2000. These costs would rise significantly in the years subsequent to fiscal year 2000 as new construction/substantial rehabilitation contracts (30-40 year term) would be expiring.

Fiscal Year	Contract Expirations				Refunding Costs	
	New Construction/ Substantial Rehabilitation	Existing	Vouchers	Total	Vouchers	In-Kind
1990.....	...	1,577	11,063	12,640	$265.2	$282.8
1991.....	...	257,906	44,941	302,847	6,636.1	7,532.3
1992.....	...	170,244	53,500	223,744	5,075.3	5,879.3
1993.....	...	155,095	53,500	208,595	4,788.7	5,678.2
1994.....	...	115,624	53,500	169,124	3,948.0	4,646.8
1995.....	178	83,664	68,063	151,905	3,605.8	4,242.0
1996.....	2,124	327,149	98,441	427,714	10,455.3	12,031.8
1997.....	13,200	286,946	107,000	407,146	10,076.2	11,659.5
1998.....	37,154	285,207	107,000	429,361	10,753.5	12,771.9
1999.....	72,383	225,837	107,000	405,220	10,517.7	12,751.1
2000.....	97,657	149,924	118,063	365,644	9,790.1	12,071.9
Total..	222,696	2,059,173	822,071	3,103,940	75,911.9	89,547.6

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1985 - GROSS RESERVATIONS

	UNITS	PER UNIT COST	CONTRACT AUTHORITY	TERM	BUDGET AUTHORITY
Carryover	NA	NA	$47,353,662	NA	$765,183,434
Recaptures	NA	NA	45,705,899	NA	827,028,801
Rescission of Recapture	NA	NA	(45,705,899)		(827,028,801)
Budget Authority Restored	NA	NA	0	NA	222,118,794
New Authority	NA	NA	847,524,808	NA	10,759,482,775
Total Available	NA	NA	894,878,470	NA	11,746,785,003
PUBLIC HOUSING					
Public Housing	5,448	$6,091	31,358,276	30	940,748,310
Indian Housing	2,178	5,610	11,169,542	28	290,151,181
Amendments	NA	NA	8,480,101	NA	273,112,358
Accounting Adjs.	NA	NA	14,464,023	NA	333,297,258
Lease Adjustments	NA	NA	19,263,851	1	19,263,851
Modernization	NA	NA	83,815,519	20	1,676,440,559
Subtotal, Public Housing	7,626	NA	168,551,312	NA	3,533,013,517
SECTION 8					
Vouchers:					
Incremental Vouchers	7,805	4,121	32,179,905	5	160,899,525
Rental Rehab.	30,337	3,974	120,498,521	5	602,438,310
Section 8 Opt-Outs	180	5,247	944,460	5	4,722,300
Public Housing Demolitions	42	7,851	329,738	5	1,648,690
Subtotal	38,364	NA	153,952,624	NA	769,708,825
Section 202:					
Units	12,639	5,946	75,181,973	20	1,503,639,460
Amendments	NA	NA	10,147,579	20	199,436,755
Subtotal	12,639	NA	85,329,552	NA	1,703,076,215
Existing:					
Regular	31,583	4,879	152,838,780	15	2,291,525,673
Self Sufficiency	4,930	4,905	24,181,620	15	362,724,300
Total, Existing	36,513	NA	177,020,400	NA	2,654,249,973
Moderate Rehab.	4,902	5,898	27,663,964	15	414,959,460
Loan Management	4,850	3,475	16,245,542	5	81,227,710
Property Disposition	5,025	6,124	30,638,000	15	435,107,600
Conversions:					
Rent Supplement/RAP	14,703	3,014	44,274,865	15	664,122,975
Section 23	854	3,249	2,775,431	15	42,053,286
Subtotal, Conversions	15,557	NA	47,050,296	NA	706,176,261
Amendments:					
New/Sub. Rehab.	NA	NA	17,722,873	NA	101,040,225
Existing	NA	NA	65,020,456	3	203,530,952
Loan Management	NA	NA	14,209,114	6	72,688,030
Property Disposition	NA	NA	428,464	15	5,522,460
Moderate Rehabilitation	NA	NA	1,799,391	15	26,178,160
Subtotal, Amendments	NA	NA	99,180,298	NA	408,959,827
Total, Section 8	117,850	NA	637,080,676	NA	7,173,465,871
Total, Public Housing and Section 8	125,476	NA	805,631,988	NA	10,706,479,388
Prior Year Adjustments	NA	NA	4,184,558	NA	121,807,229
Carryover	NA	NA	85,061,924	NA	918,498,386

FY 1986 - GROSS RESERVATIONS

	Units	Cost	Contract Authority	Term	Budget Authority
Carryover	NA	NA	$85,061,924	NA	$918,498,386
Recaptures	NA	NA	23,490,000	NA	537,525,000
Rescission of Recaptures	NA	NA	(23,490,000)	NA	(537,525,000)
Sequestration	NA	NA	...	NA	(428,521,134)
Proposed Deferral	NA	NA	(353,901,072)	NA	(2,300,805,360)
Proposed Supplemental Rescission	NA	NA	...	NA	(4,413,430,643)
New Authority	NA	NA	838,803,547	NA	9,965,607,781
Total Available	NA		569,964,399		3,741,349,030
Public Housing					
Public Housing	350	$7,689	2,691,038	30	80,731,140
Indian Housing	0	5,850	0	28	0
Amendments	NA	NA	6,896,552	29	200,000,000
Lease Adjustments	NA	NA	19,200,000	1	19,200,000
Modernization	NA	NA	22,916,250	20	458,325,000
Subtotal, Public Housing	350		51,703,840		758,256,140
Section 8					
Section 202:					
Section 202	100	6,405	640,500	20	12,810,000
Section 202 amendments	NA	NA	11,500,000	20	230,000,000
Subtotal, Section 202	100		12,140,500		242,810,000
Housing Vouchers:					
Free-standing	50,000	3,769	188,450,000	5	942,250,000
Section 8 Opt Outs	1,000	3,769	3,769,000	5	18,845,000
Public Housing Demolitions	2,500	3,769	9,422,500	5	47,112,500
Voucher PHA Fees	NA	400	21,400,000	5	107,000,000
Subtotal, Vouchers	53,500		223,041,500		1,115,207,500
Existing/Mod Rehab:					
Certificates	2,300	5,347	12,297,500	15	184,462,500
Moderate Rehab	1,114	6,155	6,856,926	15	102,853,890
Subtotal,	3,414		19,154,426		287,316,390
Loan Management	5,000	3,604	18,020,000	5	90,100,000
Property Disposition	4,000	6,200	24,800,000	15	372,000,000
Conversions-Section 23	700	3,369	2,358,300	15	35,374,500
Amendments:					
New/Sub. Rehab.	NA	NA	2,500,000	20	50,000,000
Existing Housing	NA	NA	90,000,000	5	450,000,000
Loan Management	NA	NA	120,245,833 a/	5	280,284,500
Moderate Rehab	NA	NA	4,000,000	10	40,000,000
Property Disposition	NA	NA	2,000,000	10	20,000,000
Subtotal, Amendments	NA	NA	218,745,833		840,284,500
Subtotal, Section 8	66,714	NA	518,260,559		2,983,092,890
Total, Public Housing and Sec.8.	67,064	NA	569,964,399		3,741,349,030
Section 17 Development	NA	NA	NA		0
Section 17 Rehabilitation	NA	NA	NA		0
Total Use of Authority	NA	NA	569,964,399		3,741,349,030

a/ Includes $80.2 million of CA and BA for retroactive rent rebates.

FY 1987 - GROSS RESERVATIONS

	Units	Cost	Contract Authority	Term	Budget Authority
Carryover	NA	NA	$353,901,072	NA	$2,300,805,360
Recaptures	NA	NA	14,400,400	NA	264,362,000
Rescission of Recaptures	NA	NA	(14,400,400)	NA	(264,362,000)
Total Available	NA		353,901,072		2,300,805,360
Public Housing					
Amendments	NA	NA	NA	1	58,900,000
Lease Adjustments	NA	NA	NA	1	16,300,000
Modernization	NA	NA	NA	1	225,000,000
Subtotal, Public Housing	0	NA	NA	NA	300,200,000
Section 8					
Section 202:					
Amendments	NA	NA	4,500,000	20	90,000,000
Housing Vouchers:					
Free-standing	50,000	3,769	188,450,000	5	942,250,000
Section 8 Opt Outs	1,000	3,769	3,769,000	5	18,845,000
Public Housing Demolitions	2,500	3,769	9,422,500	5	47,112,500
Voucher PHA Fees	NA	200	10,700,000	5	53,500,000
Subtotal, Vouchers	53,500		212,341,500		1,061,707,500
Loan Management	5,000	3,604	18,020,000	5	90,100,000
Property Disposition	4,000	4,840	19,360,000	15	290,400,000
Amendments:					
Existing Housing	NA	NA	50,000,000	4	200,000,000
Project Reserves	NA	NA	45,679,572	5	228,397,860
Property Disposition	NA	NA	2,000,000	10	20,000,000
Moderate Rehabilitation	NA	NA	2,000,000	10	20,000,000
Subtotal, Amendments	NA	NA	99,679,572		468,397,860
Subtotal, Section 8	62,500	NA	353,901,072		2,000,605,360
Total, Public Housing and Sec. 8	62,500	NA	353,901,072		2,300,805,360

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENT SUPPLEMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Contract Authority					
Recapture from prior years	$24,668	...	$42,204	$3,714	-$38,490
Use of authority	-5,522	-$266	-4,645	-1,713	+2,932
Authority rescinded or proposed for rescission	-18,777	...	...	-2,900	-2,900
Supplemental rescission	...	...	-41,390	...	+41,390
Unobligated balance, end of year	41,111	40,182	37,280	36,381	NA
Budget Authority					
Recapture from prior years	460,616	...	1,181,712	21,978	-1,159,734
Use of authority	-78,679	-7,458	-51,760	-46,251	-5,509
Authority Lapsed	...	...	-118,480	-36,381	+82,099
Authority rescinded or proposed for rescission	-422,083	...	...	...	...
Supplemental rescission	...	...	-1,158,920	...	+1,158,920
Unobligated balance, end of year	1,153,988	1,178,138	1,006,540	945,886	NA
Section 8 Reservations	14,266	...	...	...	...
Unit Conversions	9,995	...	16,825	...	-16,825
Units Eligible for Payment, End of Year	45,611	27,000	29,000	29,000	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1986 Budget assumed that by the end of FY 1985, all insured projects which had expressed a willingness to convert to the Section 8 program would have done so. However, projects containing only 9,995 units converted during the year and 16,825 units which have Section 8 reservations now are expected to convert in 1986. A supplemental rescission is being proposed to rescind the funds recaptured from these 1986 conversions. Those insured projects which refuse to convert will continue to receive assistance at their currently funded contract levels. However, their contracts will not be amended for increased operating expenses. State-aided projects will continue to receive the amendment assistance using the reserves established in the 1983 Supplemental Appropriation Act. Finally, the Budget proposes a rescission of $2.9 million in contract authority for 1987. This is a technical rescission of one-year authority which is estimated to be obligated and disbursed for rent rebates in 1986 with the contract authority only subsequently becoming available for rescission in 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

During fiscal year 1985, the Department continued its efforts to convert all Rent Supplement assisted units in insured projects to the Section 8 program. A total of 14,266 Rent Supplement units were reserved with Section 8 during 1984 and 9,995 units were converted.

The 1985 conversions resulted in the recapture of $24,586 thousand in contract authority and $458,238 thousand in budget authority. Additional recaptures -- $82 thousand of contract authority and $2.4 million of budget authority -- were realized on foreclosed State-aided projects as authorized by the Housing and Urban-Rural Recovery Act (HURRA) of 1983. However, actual recaptures were lower than the 1986 Budget estimates because actual unit conversions were not completed during 1985 as previously anticipated.

Rent Supplement

Using the authority recaptured during FY 1985, $2,909 thousand in contract authority and budget authority were used to amend the remaining Rent Supplement units in insured projects. A total of $2,900 thousand in contract authority has been carried forward into 1986 to pay rent rebates to tenants. The rebates reflect the recertification of tenant incomes during the latter part of 1985 and early 1986 using eligible income criteria in the 1981 Authorization and HURRA of 1983. Recertification of income will be applied retroactively to be effective on October 1, 1984, thus necessitating potential rebates. The balance of authority recaptured in 1985--$18,777 thousand in contract authority and $422,083 thousand in budget authority was rescinded.

A total of $2,531 thousand in contract authority and $73,392 thousand in budget authority was reserved for State-aided project amendments using the set-asides established pursuant to the 1983 Supplemental Appropriations Act. These amendments were based upon the cost sharing formula required by law.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed that all Rent Supplement units would have converted to Section 8 by the end of 1985. However, at the end of 1985, 16,825 units were still not formally converted, even though they held Section 8 reservations. These units will convert in 1986. A Supplemental Rescission is proposed for 1986 to rescind authority recaptured as a result of the conversions to Section 8. Those projects not converting will continue to receive Rent Supplement assistance at current contract levels. A table highlighting the conversion pipeline is contained on the following page.

The Continuing Resolution (P.L. 98-473) enacted on October 12, 1984, requires that any funds recaptured as a result of a foreclosure or transfer in-lieu-of foreclosure of a State-aided non-insured project remain available for the balance of the term on the project under its new ownership. The estimate of recaptured and reused funds for 1986 include $814.0 thousand of contract authority and $22,792.0 thousand of budget authority, for this purpose.

The current estimate of authority available for rescission in 1986 is $41,390 thousand in contract authority and $1,158,920 thousand in budget authority. This rescission represents the estimated 1986 deobligations as a result of the conversions.

EXPLANATION OF INCREASES AND DECREASES

By the end of 1986, all units which have expressed a willingness to convert, are likely to have converted. The only activity in 1987 should be amendments to State-aided projects as provided in the 1983 Supplemental Appropriations Act.

PROGRAM DESCRIPTION

Section 101 of the Housing and Urban Development Act of 1965, as amended, authorizes rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing. Eligible tenants must pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

This program also has been used in the past to provide additional "piggyback" assistance to a portion of the units in Section 236 projects, including State Agency developed non-HUD-insured projects. The Housing and Community Development Act of 1974 authorized a "deep subsidy" program of assistance payments for certain Section 236 projects to replace the Rent Supplement "piggyback" program. All Section 236 projects approved subsequent to August 22, 1974 are eligible for this assistance. In addition, the Housing and Community Development (HCD) Amendments of 1979 redefined the standards for tenant eligibility under the Rent Supplement program to require that such tenants also meet the eligibility standards for the Section 8 program.

From 1979 to 1981, projects assisted under the Rent Supplement program also were eligible for assistance under the Troubled Projects (Flexible Subsidy) program. The Housing and Community Development Act of 1981 eliminated the availability of Troubled Projects (Flexible Subsidy) assistance to amend contracts for projects with Rent Supplement units starting in 1982.

Rent Supplement

PROGRAM ACTIVITY

Amendments to State Agency sponsored, non-insured projects will be supported utilizing the set-asides of contract authority provided for this purpose in the 1983 Supplemental Appropriations Act. All subsequent amendments for cost increases will be limited to not more than ninety percent Federal support with the remaining balance provided by the sponsoring State Agency or absorbed by the project. This Federal/State cost sharing requirement is included in both the Supplemental Appropriations Act language and the amendments to the program contained in the Housing and Urban-Rural Recovery Act of 1983.

The following is the status of the set-aside of contract authority established for non-insured Rent Supplement assisted projects:

USE OF CONTRACT AUTHORITY

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Unobligated balance, start of year	$40,742	$38,211	$37,280
Obligations	-2,531	-931	-899
Unobligated balance, end of year	38,211 a/	37,280	36,381

a/ Excludes $2.9 million of contract authority carried forward into 1986 for rent rebates.

Status of Conversions. The following table provides the status of insured Rent Supplement units which have Section 8 reservations, but have not yet been converted. The table excludes Rent Supplement units in non-insured projects which will continue to receive assistance under the Rent Supplement program.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Reserved Rent Supplement Units/Converted			
Rent Supplement units reserved with Section 8 but not yet converted, start of year	12,554	16,825	...
Section 8 reservations in year	14,266	...	...
Rent Supplement conversions in year	-9,995	-16,825	...
Rent Supplement units reserved with Section 8 but not yet converted, end of year	16,825	...	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Program Levels					
Contract Authority					
Recapture from prior years..........	$20,966	$2,000	$15,339	$4,500	-$10,839
Use................................	-3,555	-200	-9,037	-2,004	-7,033
Rescission enacted/proposed.........	-14,936	-2,000	-2,000	-3,500	+1,500
Proposed Supplemental Rescission....	...	...	-10,128	...	+10,128
Unobligated balance, end of year....	61,000	58,094	55,174	54,170	NA
Budget Authority					
Recapture from prior years..........	608,057	56,000	429,492	81,000	-348,492
Use................................	-103,103	-5,594	-227,220	-54,108	-173,112
Rescission enacted/proposed.........	-433,156	-56,000	-56,000	-54,000	+2,000
Proposed Supplemental Rescission....	...	...	-283,584	...	+283,584
Restored/Lapsed.....................	-118,025	...	-97,182	-54,170	+43,012
Unobligated balance, end of year....	1,709,510	1,743,458	1,475,016	1,393,738	NA
Section 8 Reservations................	437	...	...	...	...
RAP units converted to Section 8......	9,809	...	3,990	...	-3,990
Units Eligible for Payment, End of Year.........................	527,978	529,000	527,000	526,000	-1,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1986 Budget assumed that by the end of 1985, all insured projects receiving assistance under the Rental Assistance Payment (RAP) Program which had expressed a willingness to convert to Section 8 would have done so. Projects containing 9,809 units converted in 1985 leaving almost 4,000 units with Section 8 reservations which now are expected to convert in 1986. In addition to the rescission already enacted, a supplemental rescission of up to $10.1 million of contract authority and $283.6 million of budget authority is being proposed to rescind the funds recaptured from these conversions. Those insured RAP-assisted projects which did not convert to Section 8 will be assisted at their currently funded contract levels and will not be amended for increased operating costs. State-aided projects will continue to receive assistance as authorized in the 1983 Supplemental Appropriations Act utilizing the reserve established by the Act for that purpose.

The Budget also proposes a rescission of $3.5 million of contract authority and $54.0 million of budget authority in 1987. The $3.5 million includes $1.5 million utilized in 1986 for rent rebates as required by the 1981 and 1983 Authorization Acts. These rent rebates are being made to tenants pursuant to statutory changes governing the treatment of eligible income.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The 1986 Budget assumed that during fiscal year 1985, a total of 13,672 RAP units would be converted to Section 8. However, only 9,809 units actually converted in 1985, resulting in a reserved, but unconverted pipeline of 3,990 units at the start of 1986.

Total recaptures during 1985 were $20,966 thousand in contract authority and $608,057 thousand in budget authority as compared to the 1985 estimates of $36,756 thousand of contract authority and $1,065,918 thousand of budget authority included in the 1986 Budget. The reduced recaptures reflect the lower than anticipated conversions to Section 8 during 1985. A small amount of the 1985 actual recaptures -- $244 thousand in contract authority and $7,076 thousand in budget authority -- was used to amend RAP units in insured projects and the remaining balance was rescinded. Finally, $2,317 thousand of contract authority and $67,187 thousand in budget authority were reserved for amendments to State-aided projects. These amendments were funded using the special set-aside of contract authority established under the 1983 Supplemental Appropriations Act.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed that no units in insured projects would be converted to the Section 8 program during 1986. However, because of lower than anticipated conversions during 1985, it now is assumed that the pipeline of projects with Section 8 reservations (3,990 units) will complete the conversion process during 1986.

The projected conversions in 1986 are expected to substantially increase the amount of contract authority and budget authority recaptured. The recaptures in 1986 now are expected to exceed the amounts already approved for rescission and thus a 1986 supplemental rescission for an additional $10,128 thousand in contract authority and $283,584 thousand in budget authority is being proposed.

The 1985 Continuing Resolution (P.L. 98-473) contains two provisions which affect projects assisted under the Section 236 interest reduction payment program. The first provision provides a total of $3.3 million in contract authority to restore amounts which had been taken from the "deWilde pools" of contract authority established for a number of State Agencies. The Budget assumes this authority will be obligated during 1986. The second provision would permit State Agencies to retain the use of contract authority and budget authority following a foreclosure or change in project ownership. Normally, a foreclosure would result in a recapture of any remaining subsidies by the Department. States will now be permitted to retain the subsidy on the project under the terms and conditions of the previous contract.

EXPLANATION OF INCREASES AND DECREASES

The Department estimates that $2 million of contract authority (representing $54 million of budget authority) will be deobligated during 1987 as a result of insurance terminations. This authority, together with the recaptured authority ($1.5 million) used in 1986 to pay tenant rebates, is proposed for rescission.

Units eligible for payment are expected to decline by 1,000 units between 1986 and 1987 due to these mortgage insurance terminations.

PROGRAM DESCRIPTION

1. Original Program. The Section 236 program, as enacted in 1968, provides a subsidy to reduce mortgage interest payments. The maximum subsidy available to a project was set at the difference between the monthly payment for principal, interest, and mortgage insurance premium on the outstanding mortgage at the market rate of interest and the monthly payment that would be required under a mortgage bearing an interest rate of one percent.

A basic rental charge that was deemed sufficient to meet operating expenses plus debt service expenses at the one percent rate of interest was determined for each unit. Every tenant is required to pay the basic rental charge or up to 30 percent of income, whichever is higher. Since 1982, the tenant rent contribution for program participants has been increased by one percent per year until a level of 30 percent is achieved. New tenants automatically are charged using the 30 percent of income rule. Contract approvals for new projects were discontinued in January 1973, except for "bona fide" commitments outstanding at that time and for amendments to prior contracts.

2. Deep Subsidy Program. The Rental Assistance Payments (RAP/"deep subsidy") program, authorized by the Housing and Community Development Act of 1974, was designed to aid very low income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and up to 30 percent of income for a certain percentage of units in a project. Generally, 20 to 40 percent of the units in a project are deemed eligible, but there are exceptions should the Secretary determine that a higher or lower percentage is needed to assure an adequate income mix for project stability.

Rental Housing Assistance Program

The Budget assumes that the effort to convert RAP-assisted units in insured projects to Section 8 will be completed during 1986. The converted projects will continue to benefit from the interest reduction subsidy under the original program.

Amendments to State Agency sponsored RAP projects will continue to be supported utilizing the set-asides of contract authority provided for in the 1983 Supplemental Appropriations Act. During 1984, amendment funding was utilized in amounts sufficient to establish a full subsidy funding base reflecting the 1983 cost experience. All subsequent amendments for cost increases are limited by law to not more than ninety percent of cost with the remaining balance provided by the sponsoring State Agency or absorbed by the project. A total of 15,367 units in non-insured projects are currently assisted using this set-aside. The following table provides the status of the set-aside of contract authority established for non-insured RAP assisted projects and the estimated use of the set-aside between 1985 and 1987:

	USE OF CONTRACT AUTHORITY		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Unobligated balance, start of year	$58,525	$56,208	$55,174
Obligations	-2,317	-1,034	-1,004
Unobligated balance, end of year	56,208 a/	55,174	54,170

a/ Excludes unobligated balances from the "deWilde pools" and rent rebates.

PROGRAM ACTIVITY

The following table provides the status of RAP units in insured projects which have Section 8 reservations, but have not yet been converted. The table excludes the RAP units in non-insured projects which will continue to be assisted under this program.

Reserved RAP Units/Converted	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
RAP units reserved with Section 8, start of year	13,362	3,990	...
Section 8 reservations in year	437	...	...
RAP conversions in year	-9,809	-3,990	...
RAP units reserved with Section 8, end of year	3,990	...	...

RENTAL HOUSING ASSISTANCE FUND

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a fund for the deposit of rental collections in excess of the established basic rent for units in Section 236 projects. Pursuant to Section 201 of the Housing and Community Development Amendments of 1978, excess rental collections that continue to be deposited into the fund are to be transferred to the Troubled Projects (Flexible Subsidy) program. During 1986, it is expected that $22.2 million in unobligated balances will be transferred to the Flexible Subsidy account and another $50 million are estimated to be transferred in 1987.

During 1986, excess rental collections ($23.3 million) are expected to be lower than normal due to the need to pay rebates to qualified tenants. These rebates are based upon the retroactive application of the 1981 and 1983 Authorization Acts changes to the definition of eligible income. For those tenants paying the higher of the basic rent or up to 30 percent of income, the changes to eligible income included in the 1981 and 1983 Acts, and the retroactive application of the new income standard to October 1, 1984, will mean that many tenants will be eligible for a rebate. Project owners have been instructed to use excess rental collections received in 1986 to pay rebates directly to the eligible tenants. This will reduce the amounts credited to the Rental Housing Assistance Fund and, in turn, the amount available for transfer and use under the Flexible Subsidy program by over $30 million. In addition, for projects which do not have sufficient excess income to pay rebates an additional $2.8 million of fund resources have been set-aside.

Rental Housing Assistance Program

The status of the Rental Housing Assistance Fund is as follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Fund balance available, start of year	$11,083	$4,243	$1,343
Excess rental collections	55,342	23,300	51,900
Payment of Rent Rebates	...	2,817	...
Sequestration and Lapsing	...	-1,183	...
Payments to Troubled Projects (Flexible Subsidy) program	-62,182	-22,200	-50,000
Fund balance available, end of year	4,243	1,343	3,243
Budget Outlays	7,404	2,392 a/	2,000

a/ Reflects $108 thousand of savings resulting from the Balanced Budget and Emergency Deficit Control Act of 1985 (P. L. 99-177).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOMEOWNERSHIP ASSISTANCE PROGRAM
(Section 235)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Contract Authority Available, (SOY):					
1975 Court Ordered Obligation a/..	$11,198	...	$17,690	...	-$17,690
1981 Appropriation Act............	2,425	...	1,375	...	-1,375
Restructured Program.............	15,000	...	160	...	-160
Commitments:					
1975 Court Ordered Obligation...	-6,492	...	400	...	-400
1981 Appropriation.............	1,050	...	1,375	...	-1,375
Restructured Program...........	14,840	...	160	...	-160
Budget Authority Available, (SOY)					
1975 Court Ordered Obligation a/..	335,947	...	530,711	...	-530,711
1981 Appropriation Act............	72,761	...	41,256	...	-41,256
Restructured Program.............	150,000	...	1,598	...	-1,598
Commitments:					
1975 Court Ordered Obligation...	-194,764	...	12,000	...	-12,000
1981 Appropriation.............	31,506	...	41,256 b/	...	-41,256
Restructured Program...........	148,402	...	1,598	...	-1,598
Unit Reservations					
Revised Program (1975 and 1981 Funds)...........................	-115	...	100	...	-100
Restructured Program.............	4,701	...	50	...	-50
Units Endorsed for Insurance					
Revised Program (1975 and 1981 Funds)...........................	150	...	1,335	...	-1,335
Restructured Program.............	881	2,000	3,870	...	-3,870
Units Eligible for Payment, (EOY):					
Revised Program..................	88,430	81,000	81,000	73,000	-9,000
Restructured Program.............	881	5,400	4,300	4,000	-300

a/ Represents unused authority from the Section 235 original program which was obligated on August 20, 1975 pursuant to a court order.

b/ Represents amendments to prior contracts.

c/ See the "Housing Payments" section of this volume for units eligible for payment from the Section 235 original program.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes no new funding in 1987 for the Section 235 program and assumes that the authority to issue new subsidy commitments will expire on March 17, 1986. In addition, the Budget proposes to repeal a provision in the 1986 appropriation language that exempts Section 235 of the National Housing Act from merger and automatic rescission provisions. Accordingly, estimated 1986 recaptures under the "Restructured" Section 235 program are proposed for rescission.

The Budget reflects utilization in 1986 of the remaining balances appropriated in the Second Supplemental Appropriations Act of 1984 for the "Restructured" program. In 1986, activity under the 1975 court ordered obligations will be limited to unit reservations made pursuant to litigation and Revised program funds will be used to amend prior year reservations that reach endorsement.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The 1986 Budget assumed that under the Revised Program and the Restructured Program, a total of 4,900 units would reach final endorsement. Actual endorsement for 1985 totalled 1,031 units. The shortfall was due to slower processing of units from the commitment stage to the final endorsement stage than had been anticipated.

Reservations under the Restructured program were projected to reach 5,400 units. Actual unit reservations totalled 4,701 units. Fewer units were reserved because the actual per unit reservation amount was higher than previously expected.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 estimates assumed that all available authority would be utilized or would lapse in 1985. It also assumed that no reservation or endorsement activity would occur in 1986 because the authority to issue and insure new commitments was due to expire on September 30, 1985. However, authority to commit and insure has been extended to March 17, 1986 pursuant to P.L. 99-219. Therefore, contract and budget authority will be used under the Revised program, as necessary, in 1986 for amendments to contracts reaching commitment by March 17, 1986. The current estimate of unit endorsements is a result of the utilization of the balance of authority carried over from 1985.

Pursuant to a recent court order, 100 units will be reserved in 1986 and are expected to reach endorsement during 1986. These units will be funded from the 1975 Court ordered obligations. An estimated $400 thousand of contract authority and $12 million of budget authority will be required.

EXPLANATION OF INCREASES AND DECREASES

No new authority is being requested and no new reservation activity is being assumed under either the Revised or Restructured program for 1987.

No additional units will come under payment under the Revised program in 1987, but about 9,000 units will be lost to the inventory as a result of insurance terminations (mortgage prepayments), mortgage assignments, or homeowners leaving the subsidy roles as a result of increased income. Under the Restructured program, approximately 300 units will fall out of the inventory.

PROGRAM DESCRIPTION

Original Homeownership Assistance Program

The original Homeownership Assistance program, authorized by Section 235 of the National Housing Act, as amended, provided for a homeownership interest reduction subsidy for lower-income families. Eligible families pay at least 20 percent of their adjusted monthly income toward the monthly mortgage payment. The balance is made up by Federal assistance payments which cannot exceed the difference between the required mortgage payment and the amount that would be required on a mortgage bearing an interest rate of one percent.

New contract approvals under the original program were discontinued on January 5, 1973, except for bona fide commitments outstanding on that date. However, following litigation, a court order of August 20, 1975 directed that the unused balance of contract authority under the original program be obligated and that future commitments be charged against the obligated authority. The program then was resumed during that fiscal year under a revised form. Additional funds were made available for the revised program in 1981.

Revised Homeownership Assistance Program

Under the revised program, eligible homeowners contribute 20 percent of adjusted income to the monthly mortgage payments and make a downpayment of 3 percent of the cost of acquisition of a newly constructed or substantially rehabilitated unit. The assistance payment is calculated based on the difference between the FHA maximum interest rate in force at the time of insurance endorsement and the current subsidy "floor".

Homeownership Assistance Program

Restructured Program

The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) authorized a restructured Section 235 program based on a 10-year interest reduction subsidy. A revolving fund also was authorized into which recaptures are to be deposited. According to the terms of the authorizing legislation, any contract/budget authority or funds recaptured may be released in future appropriation acts for the purpose of extending assistance beyond the original 10-year term of the contracts. This option is given to the Secretary if, under certain circumstances, the homeowner is unable to assume full responsibility for mortgage payments at the end of the subsidy contract.

Under the restructured program, homeowners are required to contribute a minimum of 28 percent of adjusted income toward monthly mortgage payments. Assistance payments are calculated on the basis of the difference between the current FHA maximum interest rate in force at the time of insurance endorsement and the current subsidy floor.

A total of $15 million of contract authority and $150 million of budget authority was approved in 1984 for the restructured program in the Second Supplemental Appropriations Act of 1984 (P.L. 98-396). It is estimated that 4,751 units will be assisted under this program by the end of 1986.

PROGRAM ACTIVITY

The following table reflects reservation and insurance activity under the Revised and Restructured Section 235 programs for the 1985-1987 period.

	ACTUAL 1985	ESTIMATE 1986 (Units)	ESTIMATE 1987
Revised Program			
In process, start of year	1,500	1,235	...
New reservations	-115	100	...
Insurance endorsements in year	150	1,335	...
In process, end of year	1,235	...	...
Restructured Program			
In process, start of year	...	3,820	...
New reservations	4,701	50	...
Insurance endorsements in year	881	3,870	...
In process, end of year	3,820	...	...

Homeownership Assistance Program

The status of the Section 235 Homeownership Assistance program is as follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
1975 Court Ordered Obligations			
Contract Authority Available, (BOY)	$11,198	$17,690	...
Commitments (Net)	-6,492	400	...
Contract Authority Available/Lapsed, (EOY)	17,690	17,290	...
Budget Authority Available, (BOY)	335,947	530,711	...
Commitments (Net)	-194,764	12,000	...
Budget Authority Available/Lapsed, (EOY)	530,711	518,711	...
1981 Appropriation Act			
Contract Authority Available, (BOY)	2,425	1,375	...
Commitments	1,050	1,375	...
Contract Authority Available, (EOY)	1,375	...	...
Budget Authority Available, (BOY)	72,761	41,256	...
Commitments	31,506	41,256	...
Budget Authority Available, (EOY)	41,256	...	...
Restructured Program			
Contract Authority Available, (BOY)	15,000	160	...
Commitments	14,840	160	...
Contract Authority Available, (EOY)	160	...	...
Budget Authority Available, (BOY)	150,000	1,598	...
Commitments	148,402	1,598	...
Budget Authority Available, (EOY)	1,598	...	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING PAYMENTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Level					
Total number of subsidies paid, end of year....................	4,139,518	4,356,000	4,246,000	4,368,000	+122,000
Adjustment for number of units receiving more than one subsidy a/.....................	-196,280	-192,000	-188,000	-192,000	-4,000
Units eligible for payment, end of year....................	3,943,238	4,164,000	4,058,000	4,176,000	+118,000
Financing					
Permanent indefinite appropriations to liquidate contract authority	$11,736,483	$12,418,000	$12,511,619	$12,476,214	-$35,405
Impact of Sequestration..........	NA	NA	-408	-7,898	-7,490
Impact of Proposed Rescission...	NA	NA	+408	8,398	+7,990
Proposed legislation............	NA	-1,445,500	-720,600	-1,719,500	-998,900
Net appropriation.............	11,736,483	10,972,500	11,791,019	10,757,214	-1,033,805
Budget Outlays					
Outlays from liquidation of contract authority.............	9,993,980	10,539,000	10,641,819	10,656,214	+14,395
Impact of Sequestration..........	NA	NA	-408	7,898	-7,490
Impact of Proposed Rescission...	NA	NA	+408	8,398	+7,990
Proposed legislation............	NA	-1,445,500	-720,600	-1,719,500	-998,900
Net outlays....................	9,993,980	9,093,500	9,921,219	8,937,214	-984,005

a/ This adjustment to the total number of subsidies paid is made to arrive at the total number of units eligible for payment. The adjustment reflects those units which receive more than one form of subsidy, i.e., Section 236 units which also receive Section 8 or Rent Supplement assistance.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

In 1985, a permanent indefinite appropriation was enacted for each of the separate programs covered under the old Housing Payments consolidated appropriation. Because of this action, no appropriation request is necessary. The Department is, however, continuing the presentation of the payment estimates in one condensed package.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN THE 1986 BUDGET

A total of 3,943,238 units were reported as eligible for payment at the end of 1985. This represents a net difference of 34,762 units when compared with the 3,978,000 estimated for 1985 in the 1986 Budget. Outlays for 1985 were estimated at $9,722 million (before adjustment for forgiveness) with actual outlays being recorded at $9,994 million for a difference of $272 million. The following table compares by program the estimated levels of units eligible for payment and outlays with the actual 1985 data.

Housing Payments

PROGRAM	UNITS ELIGIBLE FOR PAYMENT 1985 ESTIMATE	UNITS ELIGIBLE FOR PAYMENT 1985 ACTUAL	OUTLAYS 1985 ESTIMATE (Dollars in Thousands)	OUTLAYS 1985 ACTUAL (Dollars in Thousands)
Lower Income Housing Assistance Payments (Section 8).......	2,058,000	2,010,306	$6,768,000	$6,818,056
Homeownership Assistance (Section 235):				
Original Program..........	111,000	111,160	83,000	82,546
Revised Program...........	89,000	88,430	169,000	175,922
Restructured Program......	3,000	881	6,000	9,124
Rent Supplement..............	27,000	45,611	70,000	65,658
Rental Housing Assistance (Section 236)..............	530,000	527,978	633,000	619,082
Public Housing...............	1,352,000	1,355,152	1,972,000	2,202,714
College Housing..............	(443)	(443)	21,000	20,878
Subtotal..................	4,170,000	4,139,518	9,722,000	9,993,980
Adjustment................	-192,000	-196,280	NA	NA
Total....................	3,978,000	3,943,238	9,722,000	9,993,980

The difference in units eligible for payment represents slightly less than one percent of the actual total for the year and the difference in outlays represents approximately three percent of actual outlays for 1985. On a program-by-program basis, the differences were the result of the following factors:

a. Section 8. Actual units eligible for payment under the program were 47,694 units less than the 2,058,000 unit estimate for 1985 in the 1986 Budget. This resulted primarily from fewer completions under the Section 8 program in 1985 than anticipated in the 1986 Budget. Despite the lower total of units actually eligible for payment, 1985 outlays under the Section 8 program were $50 million higher than the estimate of $6,768 million. This increase in outlays was the result of higher average per unit subsidy costs in 1985 than had been anticipated in the 1986 Budget.

b. Section 235-Original Program. The actual number of units eligible at the end of the year, 111,160, was virtually identical to the estimate of 111,000 units. Actual outlays were slightly less than estimated during 1985. The average annual subsidy per unit in 1985 was $742 compared with an estimated $748.

c. Section 235-Revised Program. The actual units eligible for payment at the end of 1985 totalled 88,430--virtually the same as the estimate of 89,000 units. Actual outlays were $6.9 million higher than estimated reflecting a higher subsidy requirement in 1985. The average annual subsidy per unit in 1985 was $1,989 compared with the estimate of $1,899.

d. Section 235-Restructured Program. Actual units eligible for payment were 881 at the end of 1985 -- or 2,119 fewer than the estimates of 3,000 units in last year's Budget. Accounting records show outlays at $9,124 thousand against the estimate of $6.0 million.

e. Rent Supplement. Both units eligible for payment and outlays were higher than estimated due to fewer units converting to Section 8. In the 1986 Budget, it was assumed that 28,244 units would convert to Section 8 during 1985. The conversion process was not completed in 1985 as expected and actual conversions totaled only 9,995. Therefore, the number of units continuing to receive assistance under Rent Supplement remained higher than anticipated in the 1986 Budget--as did outlays.

f. Section 236. The 1985 estimates had reflected a decrease of approximately 735 in the number of units eligible for payment during 1985. The actual decrease was 2,757 units. Payments are made to insured projects, State-aided uninsured projects and projects assigned to HUD.

g. Public Housing. Actual units eligible for payment at the end of 1985 were 1,355,152, an increase of 3,152 units from the estimate of 1,352,000 units reflected in the 1986 Budget. The number of units competed in 1985 under the Public and Indian Housing programs were lower than anticipated--resulting in a shortfall in the number of units coming under payment.

Housing Payments

Actual outlays in 1985 were $231.6 million more than estimated. This reflects more units being eligible for payment and a higher outlay rate from 1984 undisbursed balances. The higher rate of disbursement was the result of a one-time change in the manner under which payments would be recorded. Instead of the date on which short-term notes were to be rolled over, payments were recorded on the anniversary date of the Annual Contributions contract. This had the effect of "speeding" up outlays during 1985.

3. CHANGES FROM 1986 BUDGET ESTIMATES

a. Subsidies Paid/Units Eligible for Payment. The following table highlights a comparison between 1986 current estimates of the number of units eligible for subsidy payments under the subsidized programs with those estimates included in the 1986 Budget:

PROGRAM	FISCAL YEAR 1986 UNITS ELIGIBLE FOR PAYMENT		
	1986 BUDGET ESTIMATE	CURRENT ESTIMATE	INCREASE + DECREASE -
Lower Income Housing Assistance Payments (Section 8)......................	2,232,000	2,127,000	-105,000
Homeownership Assistance (Section 235)....	194,000	193,000	-1,000
Rent Supplement..............................	27,000	29,000	+2,000
Rental Housing Assistance (Section 236)...	529,000	527,000	-2,000
Public Housing...............................	1,374,000	1,370,000	-4,000
College Housing Grants.......................	(443) a/	(443) a/	...
Total Subsidies Paid......................	4,336,000	4,246,000	-110,000
Estimated Section 236 units also Receiving Section 8 or Rent Supplement Assistance......................	-192,000	-188,000	+4,000
Total Units Eligible for payment.......	4,164,000	4,058,000	-106,000

a/ Represents the number of College Housing facilities.

The 106,000 net decrease in units eligible for payment is the result of several factors impacting the subsidized programs as follows:

(1) Section 8. Section 8 units under payment currently are estimated at 2,127,000 units -- a reduction of 105,000 units from last year's estimate. The reduction is attributable entirely to an adjustment based on the slower rate of processing from reservation to completion which we experienced in 1985. This is expected to continue despite the fact that current reservation estimates exceed those included in last year's Budget.

(2) Section 235. The decrease of 1,000 units reflects a revision downwards of 1,000 in the number of Section 235 assistance contracts expected to be eligible for payment under the Section 235 Restructured program.

(3) Rent Supplement. The current estimate for units under payment is based upon updated information on the number of insured projects which are expected to complete conversion to Section 8 during 1986.

b. Outlays. The current estimate of outlays in 1986 represents a $617.8 million decrease from the 1986 Budget estimate of $10,539 million and is attributable mainly to a $720.6 million reduction associated with the legislative proposal on forgiveness as described in the Public and Indian Housing section of the Justification. The outlay reduction is somewhat offset, however, by an increase to Section 8 outlays based upon the expected impact of paying rent rebates during 1986. The following table illustrates the changes in outlays by program:

Housing Payments

PROGRAM	FISCAL YEAR 1986 OUTLAYS 1986 BUDGET ESTIMATE	 CURRENT ESTIMATE	 INCREASE + DECREASE -
		(Dollars in Thousands)	
Lower Income Housing Assistance Payments (Section 8)......................	$7,263,000	$7,480,114	+217,114
Homeownership Assistance (Section 235).....	249,000	245,629	-3,371
Rent Supplement.............................	46,000	62,615	+16,615
Rental Housing Assistance (Section 236)....	630,000	618,571	-11,429
Public Housing..............................	2,330,000	1,493,290	-836,710
College Housing Grants......................	21,000	21,000	...
Total.......................................	10,539,000	9,921,219	-617,781

EXPLANATION OF INCREASES AND DECREASES

The following tables show subsidy payments/units eligible for payment at the end of each fiscal year by subsidized housing program:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Subsidy Payments (units), End of Year					
Lower Income Housing Assistance (Section 8).......................	2,010,306	2,232,000	2,127,000	2,247,000	+120,000
Homeownership Assistance:					
Original program................	111,160	108,000	108,000	105,000	-3,000
Revised program.................	88,430	81,000	81,000	73,000	-8,000
Restructured program	881	5,000	4,000	4,000	...
Rent Supplement....................	45,611	27,000	29,000	29,000	...
Rental Housing Assistance..........	527,978	529,000	527,000	526,000	-1,000
Public Housing.....................	1,355,152	1,374,000	1,370,000	1,384,000	+14,000
Total subsidy payments (gross)..	4,139,518	4,356,000	4,246,000	4,368,000	+122,000
Less:					
Estimated Section 236 units also receiving Section 8 assistance.......................	-169,261	-181,000	-169,000	-180,000	-11,000
Estimated Section 236 units also receiving Rent Supplement assistance...........	-27,019	-11,000	-19,000	-12,000	+7,000
Subtotal, estimated units receiving more than one subsidy......................	-196,280	-192,000	-188,000	-192,000	-4,000
Total units eligible for payment (net), end of year.	3,943,238	4,164,000	4,058,000	4,176,000	+118,000
College Housing facilities eligible for payment.........................	443	443	443	443	...

Distribution by program of the Housing Payments liquidation requirements and outlays for each fiscal year follows:

Housing Payments

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Use of Appropriation to Liquidate Contract Authority					
Lower Income Housing Assistance (Section 8)..........	$8,069,642	$8,964,000	$9,170,114	$8,919,416	-$250,698
Homeownership Assistance:					
Original program................	82,700	80,000	80,629	78,593	-2,036
Revised program................	175,600	155,000	162,000	147,400	-14,600
Restructured program	6,000	13,000	3,000	8,600	+5,600
Rent Supplement..................	71,000	44,000	62,615	46,776	-15,839
Rental Housing Assistance........	618,700	630,000	618,571	616,276	-2,295
Public Housing....................	2,689,841	2,511,000	1,673,090	919,153	-753,937
College Housing Grants	23,000	21,000	21,000	21,000	...
Subtotal, funds applied to liquidate contract authority..	11,736,483	12,418,000	11,791,019a/	10,757,214a/	-1,033,805
Outlays					
Lower Income Housing Assistance (Section 8)............	$6,818,056	$7,263,000	$7,480,114	$7,274,416	-$205,698
Homeownership Assistance:					
Original program.................	82,546	80,000	80,629	78,593	-2,036
Revised program..................	175,922	156,000	162,000	147,400	-14,600
Restructured program.............	9,124	13,000	3,000	8,600	+5,600
Rent Supplement...................	65,638	46,000	62,615	46,776	-15,839
Rental Housing Assistance.........	619,082	630,000	618,571	616,276	-2,295
Public Housing....................	2,202,714	2,330,000	1,493,290	744,153	-749,137
College Housing Grants............	20,878	21,000	21,000	21,000	...
Total Outlays.....................	9,993,980	10,539,000	9,921,219a/	8,937,214a/	-984,005

a/ Includes impact of sequestration and outlay reductions of $721 million in 1986 and $1,720 million in 1987 attributable to proposed legislation.

Total outlays for 1987 are estimated to decrease by $984.0 million compared with 1986. This decrease reflects sequestration and proposed legislation relating to Public and Indian Housing financing and tenant income recertification that would reduce the outlay estimate in 1987 by $1.7 billion. The estimates also reflect several program proposals being put forth as part of the 1987 Budget. These proposals, which will reduce outlays starting in 1986, include:

- -- a 54,000 incremental housing unit level in 1986 and 50,000 incremental housing unit level in 1987;
- -- a freeze on Existing Section 8 FMR's and Voucher payment standards in 1987 at 1986 levels;
- -- verification of tenant income;
- -- a reduction in Public Housing Agency fees for the Section 8 Existing program to a level comparable to the fee for administering the Voucher program in 1986;
- -- a reduction in FHA fees in 1987 as a result of cost-sharing with States and localities;
- -- a contract rent adjustment freeze in 1987; and
- -- a reduction of the exception rent approval ceilings.

The specifics of these proposals are explained in the Annual Contributions for Assisted Housing and Public and Indian Housing sections of these Justifications.

PROGRAM DESCRIPTION AND ACTIVITY

1. Lower Income Housing Assistance Program (Section 8). The Section 8 Housing Assistance Payments program was authorized by the Housing and Community Development Act of 1974. This legislation authorized the Department to provide assistance to eligible families through assistance payment contracts with PHAs/owners of housing units who agree to lease to eligible lower-income families.

Housing Payments

These housing units may be new, substantially rehabilitated in conjunction with the Section 202 program or moderately rehabilitated or existing rental units. A detailed explanation of the program is included in the Annual Contributions for Assisted Housing section of these Justifications.

Total outlay requirements of $7,274.4 million are estimated for 1987 with approximately 2,247,000 units estimated to be eligible for payment at year end. Estimates also include payment of fees for PHA start-up costs for both the Section 8 existing housing and moderate rehabilitation programs. These fees are proposed to be reduced in 1986 and 1987 based upon regulatory and legislative amendments included in this Budget. The average annual HUD subsidy commitment for Section 8 payments is expected to range between $3,423 in 1986 to $3,237 per unit in 1987 depending on the type of unit. The average subsidy decrease in 1987 assumes the implementation of the legislative and administrative proposals outlined previously.

The following table presents for 1985 through 1987 the units eligible for payment at the beginning of the year, the net increase in eligible units during the year and the total units eligible for payment at the end of the year resulting from program commitments:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Units eligible for payment, start of year.............	1,909,812	2,010,306	2,127,000
Net increase in units eligible for payment...........	+100,494	+116,694	+120,000
Units eligible for payment, end of year...............	2,010,306	2,127,000	2,247,000

2. Homeownership Assistance Program (Section 235). The Section 235 Homeownership Assistance program provides a subsidy to homeowners to reduce their monthly mortgage payments as explained in the Section 235 section of these Justifications.

Payment requirements are as follows:

(1) Original Program. Continuing contractual commitments under the Section 235 original program are estimated to result in total outlay requirements of $78.6 million for 1987 with 105,000 units eligible for payment at year end. Payment estimates also include mortgage handling fees of $3.00 per mortgage per month. Homeownership subsidy payments for the original program, including the mortgage servicing fees, are expected to average $745 per unit on a full- year basis in both 1986 and 1987, respectively.

(2) Revised Program. Total outlay requirements of $147.4 million are estimated for 1987 for the Section 235 Homeownership Assistance revised program. An estimated 73,000 units are expected to be eligible for payment at the end of 1987 under this program. The payment estimate includes mortgage handling fees of $3.00 per mortgage per month. The average subsidy payment under the revised program, including the mortgage servicing fees, is estimated at $2,000 per year in 1986 and 1987.

(3) Restructured Program. Total outlay requirements of $8.6 million are estimated for 1987 to cover payments to 4,000 units estimated to be eligible for payment at the end of the year. The estimate includes mortgage handling fees of $3.00 per unit per month. The average subsidy payment is estimated to average $2,814 in both 1986 and 1987, respectively.

The following table presents, for 1985 through 1987, the units eligible for payment at the beginning of the year, the net change in eligible units during the year (with the net decreases due primarily to units acquired by the Department, mortgages that have been prepaid in full or subsidy termination resulting from increases in income that make homeowners ineligible for continued payments), and the total units eligible for payment at the end of the year for the original, revised and restructured programs.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Units eligible for payment, start of year:			
Original program..................................	113,928	111,160	108,000
Revised program...................................	95,802	88,430	81,000
Restructured program..............................	...	881	4,000
Total...	209,730	200,471	193,000

Housing Payments

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Net change in units eligible for payment:			
Original program	-2,768	-3,160	-3,000
Revised program	-7,372	-7,430	-8,000
Restructured program	+881	+3,119	...
Total, net'change	-9,259	-7,471	-11,000
Units eligible for payment, end of year:			
Original program	111,160	108,000	105,000
Revised program	88,430	81,000	73,000
Restructured program	881	4,000	4,000
Total	200,471	193,000	182,000

(4) Mortgage Servicing Fees. As noted above, payments under the Section 235 program include fees paid to mortgagees for servicing the mortgages. A fee of $3.00 per month for each mortgage being serviced currently is paid to the mortgagee to compensate for the additional workload related to servicing the mortgages. A total of $4,524 thousand were paid in 1985. A total of $4,343 thousand and $4,095 thousand are estimated to be paid in 1986 and 1987, respectively.

3. Rent Supplement Program. The Rent Supplement program provides subsidy assistance on behalf of needy tenants living in privately owned, privately operated and privately financed housing as explained in the Rent Supplement section of these Justifications.

Total outlay requirements of $46.8 million are estimated for 1987 with 29,000 units estimated to be eligible for payment at year end. Rent Supplement subsidies are expected to average $1,625 per unit on a full-year basis in 1987.

The following table presents, for 1985 through 1987, the units eligible for payment at the beginning of the year, the net change in eligible units during the year and the total units eligible for payment at the end of the year resulting from program commitments. The year-to-year net reductions in Rent Supplement units eligible for payment are primarily attributable to the conversion of Rent Supplement units to Section 8 assistance.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Units eligible for payment, start of year	55,606	45,611	29,000
Net change in units eligible for payment	-9,995	-16,611	...
Units eligible for payment, end of year	45,611	29,000	29,000

4. Rental Housing Assistance Program (Section 236). The Section 236 Rental Housing Assistance program provides a subsidy to project owners to reduce mortgage interest payments as explained in the Section 236 section of these Justifications.

Total outlay requirements of $616.3 million are estimated 1987 with subsidy payments estimated at 526,000 including 180,000 units also receiving Section 8 assistance and 12,000 units receiving Rent Supplement payments. The payment requirements include additional Rental Housing Assistance payments ("deep subsidies") as determined by the Secretary pursuant to the Housing and Community Development Act of 1974 for eligible units in projects approved for mortgage insurance after August 22, 1974 under Section 236 of the National Housing Act, as amended.

The following table presents the number of subsidies for the period 1985 through 1987 at the beginning of the year, the net change in units during the year and the total units at the end of the year resulting from program commitments.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Number of subsidies, start of year	530,735	527,978	527,000
Net change in units eligible	-2,757	-978	-1,000
Number of subsidies, end of year	527,978	527,000	526,000

Housing Payments

5. Public Housing Program. HUD provides annual contributions for Public and Indian Housing debt service for development and modernization of PHA/IHA-owned housing and basic annual contributions for Section 23 PHA-leased housing as explained in the Public and Indian Housing section of these Justifications. As part of the 1987 Budget, a proposal is being made which will change the method under which Public and Indian development and modernization will be financed in the future. Specific details on the proposal are included in the Public Housing Loan Fund Justification.

Total outlay requirements of $744.2 million are estimated for 1987 with 1,384,000 units estimated to be eligible for payment at year end.

The following table presents for 1985 through 1987 the estimated units eligible for annual contribution payments at the beginning of the year, the estimated net change in eligible units during the year and the total estimated units eligible for payment at the end of the year resulting from program commitments:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Units eligible for payment, start of year	1,340,575	1,355,152	1,370,000
Net change in units eligible for payment	14,577	14,848	14,000
Units eligible for payment, end of year	1,355,152	1,370,000	1,384,000

The composition of the estimates for Public Housing requirements for 1985, 1986 and 1987 follows:

	ACTUAL 1985	ESTIMATE 1986 (Dollars in Thousands)	ESTIMATE 1987
Units eligible for annual contribution payments, end of year:			
PHA-owned dwellings	1,325,752	1,342,000	1,356,500
PHA-leased dwellings	29,400	28,000	27,500
Total units	1,355,152	1,370,000	1,384,000
Debt service Annual contributions for PHA-owned dwelling units, net	$2,130,654	$1,423,775	$675,869
Basic annual contribution outlays for PHA-leased dwelling units:			
Contract requirements	52,796	50,283	49,384
Annual adjustments for operating requirements	19,264	19,232	18,900
Subtotal, annual contribution outlays for leased housing	72,060	69,515	68,284
Total, annual contribution contract outlays	2,202,714	1,493,290	744,153

As highlighted above, the number of PHA-leased (Section 23) units eligible for payment and the amount of annual contributions required are expected to decline between 1986 and 1987. This reduction reflects the ongoing conversion of Section 23 units to the Section 8 program.

6. College Housing Grants. The Housing and Urban Development Act of 1968 authorized the provision of debt service grants to colleges and eligible hospitals for the construction of housing and essential housing-related facilities. No new applications under the Debt Service Grant program were accepted after January 5, 1973. Debt service grants can extend for a period of up to 40 years. They are equal to the difference between the average debt service on loans secured in the private market and the average amount of debt service which would have been required if loans had been made at a 3 percent interest rate. This was the rate applicable to the College Housing direct loan program which had been the primary means of providing Federal financial assistance for college housing and related facilities prior to the enactment of the Debt Service Grant program. HUD continues to have responsibility for the management of the College Housing Debt Service Grant program because it was not included with the programs that were transferred by the Department of Education Act (Public Law 96-88).

Housing Payments

a. Payment Requirements. Total outlay requirements are estimated at $21 million for 1987 for 443 facilities estimated to be eligible for payment at year end based on existing program commitments. The following table shows annual grant outlays through 1987 resulting from program commitments:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Grant outlays	$20,878	$21,000	$21,000

b. Grant Management. Management activities ensure that valid grant payments on subsidized private loans are made. Individual grants are required to be evaluated periodically with respect to the mandatory call provisions of the private market loan since HUD requires that grantees refinance their private market loans when call conditions permit and market conditions indicate that refinancing will result in reduced interest costs and, consequently, in reduced grant payments. The Department does not guarantee the private loans. Therefore, liability is limited to the debt service grant payments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING DEVELOPMENT GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Level:					
Units Assisted................	16,229	...	22	...	-22
Obligations.....................	$314,600	...	$320	...	-$320
Appropriation:					
Budget Authority..............	...	...	75,000	...	-75,000
Sequestration.................	...	...	-3,225	...	+3,225
Proposed Rescission of New Authority....................	...	...	-71,775	...	+71,775
Total........................	...	...	...	...	...
Outlays.........................	721	$111,500	103,000	$105,000	+2,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Department's fiscal year 1987 Budget proposes terminating the Rental Housing Development Grants (HoDAG) program. HoDAG is an expensive means to house very low-income households relative to Housing Vouchers. National vacancy rates are at their highest levels in years, and a housing stimulus program is unnecessary at this time. Continued spending for development grants cannot be justified within the framework of budget restraint which necessitates control of the deficit.

Consistent with this position, the 1987 Budget reflects a proposed rescission of $71,775 thousand of budget authority made available in the 1986 Appropriations Act, rescission of $80 thousand of unobligated balances of prior year authority carried over into 1986 and the rescission of $2,000 thousand of authority which is estimated to be recaptured during 1986. The Budget also reflects $3,225 thousand of budget authority sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

The table below summarizes the sources of 1986 funding for the Rental Housing Development Grants program and the proposed disposition of this budget authority:

	(Dollars in Thousands)
SOURCE:	
1986 Appropriation..................	$75,000
Carryover balance...................	400
Recaptures..........................	2,000
Total............................	77,400
DISPOSITION OF AUTHORITY:	
Sequestration.......................	(3,225)
Rescission of 1986 authority........	(71,775)
Rescission of recaptures............	(2,000)
Rescission of unutilized carryover..	(80)
Used in year........................	(320)
Total............................	(77,400)

Rental Housing Development Grants

Supplemental language being proposed under the Annual Contributions for Assisted Housing account would rescind $71,775 thousand appropriated for Housing Development Grants in 1986 and overturn those provisos which exempt HoDAG deobligations from automatic rescission. In addition, it is intended that $80 thousand of unobligated budget authority carried over into 1986 from 1985 be rescinded. A total of $400 thousand of unobligated balances was carried forward into 1986, of which $320 thousand has been reserved.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The 1986 Budget assumed that authority for 16,000 units would be reserved during 1985, compared to the actual accomplishment of 16,229 units. A total of $314.6 million of the total $315 million was obligated. Outlays were estimated at $20 million compared to actual outlays of $721 thousand. The lower outlays reflect the fact that the prior assumptions underestimated the amount of time which would be required for applicants to reach grant agreement.

3. CHANGES FROM 1986 BUDGET ESTIMATES

Last year, the Budget proposed no additional funding for the HoDAG program beginning in 1986. The current estimates are consistent with that same policy proposed last year. Obligations for 1986 represent the approval of one project using $320,000 of the $400,000 carryover balances which occurred prior to the final Budget decisions.

EXPLANATION OF INCREASES AND DECREASES

The decrease in units and obligations from 1986 to 1987 reflects the termination of the program starting in 1986.

PROGRAM DESCRIPTION

The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) authorized the Rental Housing Development Grants program.

This program provides States, cities and urban counties (grantees) with grants for new construction and substantial rehabilitation activities of real property for rental purposes. Grantees are responsible for implementing the program and complying with program requirements. These funds may be used by grantees to make grants or loans, provide interest reduction payments or other assistance which would support new construction or substantial rehabilitation of rental housing. Grantees are selected competitively based upon a HUD review of applications which include a description of their rental development program for the fiscal year, specific proposals, and supporting information. Project selections are made based on selection criteria cited in the statute. Following notification of selection, a grant agreement is signed by HUD and the grantee stipulating the grant conditions.

Project Eligibility. Areas experiencing a severe shortage of decent rental housing for families without other reasonable housing alternatives are eligible for grants. Grantees with proposed projects that serve special housing needs or neighborhood preservation purposes also are eligible to apply. The Secretary issues minimum standards for determining eligible areas based on eligibility criteria cited in the statute.

Grant Amount. Grants are limited to an amount which will provide decent rental housing of modest design which is affordable for families without other private market, affordable housing alternatives. Generally, the grant may not exceed 50 percent of a project's total development cost (less acquisition). Owners must agree that at least 20 percent of the units shall be occupied, or available for occupancy, for families at or below 80 percent of the median income.

Construction. New construction or substantial rehabilitation must begin within 2 years after notice of selection.

PROGRAM ACTIVITY

In fiscal year 1985, 16,229 rental housing units were approved in 115 cities. This represented a total of $314.6 million of budget authority. Overall, 60 percent of the HoDAG grant funds subsidized market rent units and 40 percent subsidized lower-income units. Approximately 26 percent of the units are low-income. Based on the first round of grant approvals, which was the bulk of the activity under the program, 72 percent of the projects approved are oriented exclusively to families. Total development cost for both market rent and lower-income units is, on average $51,270 per unit. This includes an average grant of $19,920 per unit provided under the Rental Housing Development Grants program. Based on these averages, the leverage ratio of non-grant funding to grant funding was 1.5 to 1.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

TROUBLED PROJECTS (FLEXIBLE SUBSIDY)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
PROGRAM LEVELS					
Projects Assisted..................	69	163	158	152	-6
Obligations........................	$27,859	$54,000	$52,300	$53,800	+$1,500
Financing					
Prior year balances.............	40,340	8,000	76,642	46,542	-30,100
Transfers from the Rental Housing Assistance Fund........	62,182	55,000	22,200	50,000	+27,800
Total........................	102,522	63,000	98,842	96,542	-2,300
Budget Outlays.....................	-26,617	18,000	21,700	-13,500	+35,200

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for 1987. An estimated carryover balance of $46.5 million together with an estimated $50 million in collections to be transferred from the Rental Housing Assistance Fund will be used to provide assistance to approximately 152 projects. Any unobligated funds at the end of 1987 will be carried forward into 1988.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN THE 1986 BUDGET

Actual obligations in 1985 totaled $27,859 thousand compared with the 1985 estimate included in the 1986 Budget of $91,423 thousand. The reduced level of obligations and the lower number of projects assisted are attributable to a change in funding procedures initiated in 1984 which require project owners to submit firmer cost estimates of the work to be undertaken. While this change will benefit program administration, it had the unexpected effect of slowing down funding approval in 1984 and 1985 while project owners and field staff became familiar with the new procedures.

Actual receipts of $26.6 million were recorded in 1985 compared to receipts of $22 million estimated in the 1986 Budget. The difference can be attributed to: the reduced level of obligations, a larger than anticipated transfer from the Rental Housing Assistance Fund and an unanticipated recovery of a prior year obligation of $2,402 thousand.

3. CHANGES FROM 1986 BUDGET ESTIMATES

Funding activity in 1986 is currently expected to be slightly lower than had been estimated in the 1986 Budget. An estimated 158 projects are expected to receive funding of $52.3 million in 1986 compared with the 1986 Budget estimate of 163 projects receiving $54 million.

Excess rent collections transferred from the Rental Housing Assistance Fund will be substantially lower than projected — $22.2 million compared with $55 million. This results from the fact that about $32 million of excess rent collections will be needed to pay rebates to tenants. These rebates were necessitated by the retroactive application of 1981 and 1983 Acts changes in the definition of eligible income. This will reduce the amounts credited to the Fund and the amount which can be transferred to the Flexible Subsidy program.

Troubled Projects (Flexible Subsidy)

EXPLANATION OF INCREASES AND DECREASES

The 1987 Budget reflects obligations totaling $53.8 million, an increase of $1.5 million from the current 1986 estimate. A total of 152 projects are expected to receive assistance in 1987 representing a reduction of 6 projects from the current 1986 estimate. This increase in funding and decrease in projects assisted results from an expected increase in the average amount of assistance per project assumed for 1987. Since transfers from the Rental Housing Assistance Fund are expected to return to $50 million in 1987, a receipt of $13.5 million is anticipated for the year.

PROGRAM DESCRIPTION

The Troubled Projects (Flexible Subsidy) program initially was authorized by the Housing and Community Development Amendments of 1978. The objectives of the program are to: (1) reduce claims on the Department's mortgage insurance funds by aiding projects in financial distress where existing sources of financial relief are inadequate to cure the projects' problems, and (2) preserve and protect the existing supply of low- and moderate-income housing by upgrading the quality of management services and effecting short-term improvements which will enable projects to become self-sustaining and remain affordable by low- and moderate-income tenants.

Projects eligible for assistance under this program include those which: (1) have mortgages insured or held by HUD, and (2) are subsidized under Section 236 and Section 221(d)(3) Below-Market Interest Rate (BMIR) of the National Housing Act or the Rent Supplement program. Also eligible for assistance are those projects converting to the Section 8 program from the Section 236 Rental Assistance Payments (RAP) or Rent Supplement programs. The Housing Amendments of 1978 also provided for the eligibility of non-insured projects that were developed by State agencies and receiving financial assistance from HUD under one of the above subsidy programs after October 1, 1979. The Housing and Urban-Rural Recovery Act of 1983 mandates that assistance be provided to eligible projects without regard to whether they are financed by insured or non-insured mortgages.

Projects are selected on the basis of need as determined by HUD field staff during normal loan servicing and management reviews. The program provides short-term cash assistance to eligible projects that are in danger of being assigned or foreclosed because of serious financial management and/or physical problems in the projects. The assistance is designed to correct deferred maintenance and replacement problems and cure current operating deficits. Provision of short-term cash assistance to an individual project is conditioned upon the development of an acceptable Management Improvement and Operating (MIO) Plan designed to restore the financial viability of the project. The MIO Plan normally requires additional financial or other resources to be committed by project owners as well as specific improvements to on-site management procedures. Temporary assistance under the program thus provides interim stability to projects while a permanent solution, as identified in the MIO Plan, is being implemented. Under certain circumstances, the Department will provide limited Flexible Subsidy assistance in the form of a one-time only, short-term loan to eligible project owners who notify HUD of an anticipated default on an insured mortgage and request assistance.

PROGRAM ACTIVITY

The table below outlines the program assumptions for the use of available funds for comprehensive assistance in 1986 and 1987:

ESTIMATED USE OF PROGRAM FUNDS

FISCAL YEAR	NO. OF PROJECTS	AVERAGE PER PROJECT	TOTAL
	(Dollars in Thousands)		
1986	158	$331	$52,300
1987	152	353	53,800

In 1986, 158 eligible projects are expected to receive full funding totaling $52,300 thousand to cover the total costs of their approved comprehensive assistance plans. The average funding per project would be $331 thousand based on the type of activities to be undertaken and 1985 program costs. In 1987, 152 eligible projects are expected to receive $53.8 million in full comprehensive assistance funding. The average funding per project in 1987 would increase approximately 6.6 percent over 1986 to $353 thousand per project based on the Administration's current Economic Assumptions for 1987.

Troubled Projects (Flexible Subsidy)

PROGRAM FINANCING

During 1987, a carryover balance of $46.5 million together with $50 million to be transferred from the Rental Housing Assistance Fund will provide funding resources of $96.5 million. However, it is estimated that $53.8 million of the $96.5 million available will be obligated. Any unused funds at the end of 1987 will be carried into 1988. The status of available funds in the account follows:

FUND STATUS

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Funds available, start of year	$40,340	$76,642	$46,542
Excess rent collections from Rental Housing Assistance Fund	62,182	22,200	50,000
Obligations	-27,859	-52,300	-53,800
Adjustments and unutilized	1,979	...	...
Funds available, end of year	76,642	46,542	42,742

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MORTGAGE AND LOAN INSURANCE PROGRAMS
(FHA FUND)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Millions)		
Insurance Commitment Limitation					
Limitation enacted or requested.......	$50,900	$50,900	$60,000	$50,900	-$9,100
Sequestration..........................	NA	NA	-2,580	NA	+2,580
Limitation available................	50,900	50,900	57,420	50,900	-6,520
Use..................................	-47,441	-32,737	-49,336	-37,164	+12,172
Unused limitation..................	3,459	18,163	8,084	13,736	+5,652
Mortgage Insurance					
Applications (units):					
Home mortgages......................	866,294	570,000	900,000	625,500	-274,500
Multifamily mortgages...............	83,792	64,500	83,800	83,800	...
Total..............................	950,086	634,500	983,800	709,300	-274,500
Insurance written (units)............	437,799	495,200	664,500	552,900	-111,600
Insurance-in-force, end of year.......	$189,540	$195,873	$215,372	$233,959	+$18,587
Property Improvement and Manufactured Home Loans (Title I)					
Loans Insured:					
Number..............................	191,837	225,000	200,000	205,000	+5,000
Amount..............................	$1,299	$1,556	$1,433	$1,560	+$127
Insurance-in-force, end of year.......	5,940	5,134	6,041	6,285	+244
Temporary Mortgage Assistance Payments					
Limitation enacted or requested.......	65	89	88	74	-14
Sequestration..........................	NA	NA	-4	NA	+4
Limitation available................	65	89	84	74	-10
Use..................................	...	-89	-26	-74	-48
Unused limitation..................	65	...	58	...	-58
Homeowners initially assisted...........	...	5,130	1,600	4,500	+2,900
Assigned Mortgage and HUD-Owned Property Inventories, end of year					
Number..............................	64,757	52,886	65,353	61,718	-3,635
Units...............................	240,338	209,551	223,776	185,878	-37,898
Cost a/.............................	$4,751	$4,287	$4,687	$4,198	-$489
Payment of insurance claims.............	2,243	1,782	2,322	2,176	-146
Proceeds from sale of assets					
Acquired properties b/................	1,267	1,151	1,654	1,670	+16
Auction of current multifamily mortgages	NA	NA	NA	210	+210
Sale of Section 221(g)(4) mortgages...	NA	33	15	22	+7
Total proceeds......................	1,267	1,184	1,669	1,902	+233
Retained Income or Deficit from Operations					
Mutual mortgage insurance............	3,729	4,436	4,184	4,791	+607
Cooperative management housing insurance..............................	20	26	20	20	...
Special risk insurance...............	-3,025	-3,133	-3,120	-3,191	-71
General insurance....................	-2,719	-2,788	-2,641	-2,517	+124
Total..............................	-1,995	-1,459	-1,557	-897	+660

Mortgage and Loan Insurance Programs

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Millions)		
Budget Authority					
Borrowing:					
From the Treasury (net).............	-$307	-$155	-$165	-$246	-$81
Agency debentures.................	19	43	48	52	+4
Appropriation (Restoration of losses)............................	388	240	240	273	+33
Total..............................	100	128	123	79	-44
Budget Outlays.........................	-654	-1,330	-1,434 c/	-1,910 c/	-476

a/ Reflects the unpaid balance of assigned mortgages and the acquisition costs for HUD-owned properties.

b/ Includes reimbursements from the Urban Homesteading account.

c/ Includes outlay reductions of $10.4 million in 1986 and $.4 million in 1987 for administrative expenses as a result of savings required by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

a. Credit Control Limitation. The Budget requests a limitation of $50.9 billion on the level of mortgage and loan insurance commitments. No specific limitation is requested for claims payments although language is included authorizing such sums as may be necessary to pay claims.

b. Temporary Mortgage Assistance Payments Limitation. The Budget also proposes a direct loan limitation of $73,800 thousand for Temporary Mortgage Assistance Payments (TMAP) during 1987. This limitation is expected to provide initial assistance to an estimated 4,500 homeowners.

c. Appropriation for Losses. An appropriation of $272,955 thousand is requested for 1987 for actual unrestored losses incurred by the Special Risk Insurance and the General Insurance Fund during 1985. These losses resulted from the liquidation of mortgages and the sale of HUD-owned properties. The proposed appropriation includes $102,040 thousand for the Special Risk Insurance Funds and $170,915 thousand for the General Insurance Fund.

d. Prepaid Premiums. Single-family prepaid premiums will be increased in 1987 from 3.8 percent to 5.0 percent of the mortgage amount. This change is part of an overall Administration effort to increase fees on a wide variety of programs.

e. Legislative and Regulatory Changes. The Budget also includes a number of legislative and regulatory proposals which are intended to reduce insurance risk and to improve the targeting of Federal mortgage insurance activities to those households which are not served by the private sector. The proposals include:

--prohibiting the financing of prepaid mortgage insurance premiums (in addition, the Department will propose regulations prohibiting financing of closing costs);

--limiting eligibility under the single-family programs to households with gross incomes at or below $40,000 per year; and

--repealing authority to insure second homes and investor loans under the single-family programs.

The legislative proposals will have the impact of reducing mortgage insurance applications by 274,500 units in 1987--units which can be more appropriately served by the private mortgage insurance industry.

f. Privatization Initiative. The Department will undertake a study of mortgage insurance programs in order to distinguish functions which may be more efficiently performed by the private sector from those which may require continued Federal participation. The Department has not reached a conclusion on the privatization of the mortgage insurance programs. After an objective and comprehensive study, and after broad consultation, the Department will present its findings to the Congress in early 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Home mortgage insurance applications during 1985 totaled 866,294 units compared with the Budget estimate of 550,000 unit applications. Multifamily applications--83,792 units--also exceeded the previous estimate of 51,500 units. The higher application levels resulted in a substantial increase in credit usage during the year. Actual utilization against the $50.9 billion limitation totaled $47.4 billion compared to the previous estimate of $30.3 billion.

The major reason for the higher than anticipated mortgage activity was the improved market condition resulting from lower interest rates. However, increasing restrictions in the business normally supported by private mortgage insurers (PMIs) also contributed to increased FHA business.

Title I property improvement and manufactured home loans were below the Budget estimates. Property improvement loans totaled 174,462 units, or 92 percent of the Budget estimates of 190,000 units while manufactured homes totaled 17,375 units, or 58 percent of the previous estimates of 30,000 units.

Temporary Mortgage Assistance Payments (TMAP). Implementing the TMAP program was again postponed in 1985 because of unresolved difficulties between the Department and the Federal District Court of Chicago involving various program design issues.

Mortgage and Property Acquisition and Disposition Activity. The year-end 1985 inventory of assigned mortgages and HUD-owned properties--240,338 units--was higher by 18,783 units than the previous estimate of 221,555 units. The assigned mortgage inventory totaled 198,465 units at the close of 1985--a 4,392 unit increase from previous estimates. Multifamily assignments of defaulted mortgages during the year were 1,816 units lower than anticipated while single-family assignments were 2,074 units higher than expected primarily due to postponement of the implementation of the TMAP program. The decline from the projected multifamily assignments reflects, to some extent, the financial assistance made available to these projects using Flexible Subsidies and Section 8 loan management. In addition, the Department has been very aggressive in encouraging Transfers of Physical Assets (TPAs) as a means of generating needed cash infusions to correct project deficiencies.

The year-end 1985 acquired property inventory totaled 41,873 units, reflecting a 14,391 unit increase over the prior estimates of 27,482 units. Home property acquisitions during the year totaled 45,439 units--an increase of 11,939 units over the prior estimate of 33,500 units. Increased single-family claims to a large extent, reflect the overall reduction in the rate of inflation which, in turn, has tempered property appreciation. Generally speaking, mortgage claims tend to increase during periods of low inflation and our experience has been similar to the industry as a whole. The increased home acquisitions were partially offset by increased home property sales of 38,035 units. The Department has made substantial progress in reducing the average time in inventory for home properties. The more rapid disposition does not appear to have adversely affected sales returns since the average cash proceeds received on sales increased by about 33 percent over the 1984 experience.

Multifamily acquisitions and sales both were below prior estimates. A total of 49 projects were acquired compared to the estimate of 70 project acquisitions. Property sales totaled 66 projects compared to the estimate of 104 project sales.

Financial Activity. Net receipts for 1985 totaled $653.7 million and were substantially below the estimate of $802.2 million. The shortfall was primarily due to the high level of single-family claims received during the year, which was only partially offset by higher than expected receipts from prepaid premiums.

During 1985, $335 million of outstanding borrowings of the General Insurance and Special Risk Insurance Funds were repaid to Treasury. This is $115 million more than was estimated last year and reflects lower than expected multifamily claims.

The cumulative fund operating deficit at the end of 1985 totaled $2.0 billion compared to the estimate of $1.8 billion. This increase reflects an increase in the allowance for losses established on single-family acquired properties and HUD-held mortgages.

3. CHANGES FROM 1986 BUDGET ESTIMATES

Commitments and Mortgage Originations. The 1986 home mortgage insurance applications are estimated in the Budget at 900,000 units. This is a substantial increase from the 1986 Budget estimate of 570,000 units, and assumes that the 1985 level will increase further as interest rates continue to decrease.

Multifamily applications are estimated at 83,800 units compared to the 1986 Budget estimate of 64,500 units. The current estimate is based on the actual activity experienced during 1985 and assumes a continued active market role in multifamily insurance activity by Savings and loan Associations and other non-FHA related financial institutions.

Title I insurance is expected to decline from prior estimates, and the current estimate is based on a modest increase over the actual 1985 experience.

In 1986, insurance activity is expected to increase over both the actual 1985 experience as well as the 1986 Budget estimate, with mortgage insurance commitments estimated at $49.3 billion compared to the prior estimated usage of $32.7 billion. The Budget projects the use of $49.3 billion in insurance commitments during 1986 based upon the current application assumptions. The anticipated usage is less than the current limitation of $57.4 billion and the excess will remain available if needed during the year.

Temporary Mortgage Assistance Payments (TMAP). The Budget assumes that the program will be in operation by mid-summer 1986. TMAP obligations are estimated at $26 million based upon initial assistance to 1,600 homeowners.

Mortgage/Property Acquisition and Disposition Activity. The year-end 1986 inventory of assigned mortgages and acquired properties is expected to be higher than the 1986 Budget estimate by about 14,000 units. The increase is due primarily to increased single-family property acquisitions in 1985 and 1986 over those estimated in last year's budget. Single-family assigned notes are also expected to be higher than last year's estimate as the TMAP program now is not expected to be operational until summer of 1986. The inventory increases are partially offset by a technical adjustment lowering the number of multifamily projects on hand by 24 projects and 5,821 units as a result of an accounting reconciliation.

Financial Activity. Net receipts in 1986 currently are estimated at $1,434.3 million compared to the 1986 Budget estimate of $1,330.4 million. The current 1986 outlay (net receipt) estimate reflects a $10.4 million decrease in outlays for administrative expenses which were sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).

EXPLANATION OF INCREASES AND DECREASES

Commitments and Mortgage Originations. Home mortgage insurance applications are estimated at 625,500 units in 1987--a 274,500 unit decrease from the current 1986 estimate. The 1987 estimate is based on the 1986 application level of 900,000 units, adjusted downward by the impact of a number of legislative proposals which are intended to better target Federal mortgage insurance activities to those households which are not served by the private sector.

The reduction in single-family unit applications from 1986 to 1987 is premised upon the assumption that the legislative and regulatory initiatives will be enacted and in effect on October 1, 1986. Starting from a 900,000 unit base, the Budget assumes a 3.5 percent drop in units (31,500) based on the increased cash-at-closing requirement and an additional 27 percent reduction (243,000 units) attributable to the imposition of a $40,000 income cap. The Budget assumes that all investor-owners have incomes above $40,000. This category of owners (8 percent or 72,000 units) are included in the 243,000 unit reduction attributable to the income cap.

Multifamily insurance applications for 1987 are estimated at 83,800 units, the same as in 1986.

Title I insured loan activity is estimated at 205,000 units in 1987--a 5,000 unit increase over the current 1986 estimate. The 1987 estimate includes 175,000 home improvement loans and 30,000 manufactured housing loans.

Mortgage and Loan Insurance Programs

The Budget requests a mortgage insurance commitment limitation of $50.9 billion in 1987--$6.5 billion less than the 1986 enacted limitation of $60.0 billion adjusted to $57.4 billion due to sequestration. Use of the proposed credit ceiling is estimated at $37.2 billion, a $12.1 billion decrease from the 1986 current estimate. The reduction reflects the expectation for reduced insurance applications based upon our targeting proposals.

Temporary Mortgage Assistance Payments. Initial assistance is proposed for an estimated 4,500 homeowners with obligations estimated at $73.8 million. This represents an increase over the current 1986 estimate and is based on the assumption that 1987 will be the first full year for the program.

Mortgage/Property Acquisitions and Disposition. The estimated year-end 1987 inventory of 185,878 units of assigned mortgages and acquired properties is expected to decline sharply from the current 1986 estimate of 223,776 units. The projected decline is attributable to an estimated reduction in single family assignments due to the availability of the TMAP alternative, sales of properties in excess of new acquisitions, and the proposal for a multifamily mortgage sale in 1987. The mortgage sale is expected to result in the disposal of current multifamily mortgages with approximately $300 million in outstanding principal balances. The loans, which will be sold without reinsurance, are estimated to generate about $210 million in receipts.

Financial Activity. Budget authority in 1987 is estimated at $79.0 million, or a $44.1 million reduction from the current 1986 estimate. This reduction is based on a projected decline in total claims expenses as well as an increase in available funds from the proposed mortgage sale.

Net receipts for 1987 are estimated at $1,910.2 million, a $475.9 million increase over the current 1986 estimate. The increase is due primarily to a projected decline in total claims and increased receipts from the mortgage sale now proposed for 1987. Receipts from prepaid premiums also are expected to increase, notwithstanding a decrease in insurance written, based on the Administration's proposal to raise the level of prepaid premiums charged from 3.8 percent to 5.0 percent of the mortgage amount. The following table provides a summary of the most significant gross disbursement and collection categories and the current Budget estimate for each category.

FUNDS APPLIED TO OPERATIONS, RECEIPTS AND OUTLAYS

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Funds Applied to Operations			
Operating costs	$714,870	$678,280	$679,626
Claims	2,242,462	2,322,127	2,176,029
Property and other expenses	221,493	292,535	317,553
Other adjustments 1/	-75,490	131,859	-21,640
Total Funds Applied	3,103,335	3,424,801	3,151,568
Fund Receipts			
Regular fees and premiums	898,404	870,943	844,384
Prepaid premiums	887,292	1,133,896	1,228,772
Interest income	360,556	442,661	573,173
Property sales	1,266,574	1,653,894	1,670,145
Mortgage sales	...	15,334	232,019
Recoveries and other income from properties and mortgage notes	485,317	537,416	513,274
Other adjustments 1/	-141,139	205,000	...
Total Receipts	3,757,004	4,859,144	5,061,767
Outlays	-653,669	-1,434,343	-1,910,199

1/ Includes changes in accounts receivable and payable, notes taken on sale of acquired properties and other adjustments.

Mortgage and Loan Insurance Programs

PROGRAM DESCRIPTION

The FHA Fund covers the mortgage and loan insurance activities of about 40 active mortgage/loan insurance programs. These programs are grouped into four separate insurance funds entitled: (1) the Mutual Mortgage Insurance Fund, (2) the Cooperative Management Housing Insurance Fund, (3) the General Insurance Fund, and (4) the Special Risk Insurance Fund.

1. Home Mortgage Insurance Programs

a. Home Mortgage Insurance (Section 203(b)). The Basic Home Mortgage Insurance program, Section 203(b), constitutes the bulk of all HUD mortgage insurance activity (approximately 89 percent of all homes insured by HUD). This Section was enacted in the National Housing Act of 1934 to facilitate homeownership, stimulate the construction and financing of housing, upgrade the quality of housing in the country, and improve mortgage lending practices.

Under the basic home mortgage insurance program, an individual can obtain a HUD-insured loan at a private financial institution to purchase a one-to-four family property. The National Housing Act, as amended, provides a maximum loan-to-value ratio for the Section 203(b) program for 97 percent of the first $25,000 and 95 percent of the value in excess of $25,000 up to the statutory mortgage limit. For loans under $50,000, the loan-to-value ratio is 97 percent of the value. The maximum mortgage amount on single-family units in high cost areas is set at the lesser of $90,000, or 95 percent of the median one-family house price in the area as determined by the Secretary.

The Housing and Urban-Rural Recovery Act of 1983 repealed the Secretary's authority to set a ceiling on mortgage interest rates. This, in effect, opened all insured mortgage activity to the negotiated interest rate approach utilized in the conventional markets. The legislation further permits HUD to insure Adjustable Rate Mortgages (ARMs), Shared Appreciation Mortgages (SAMs) and Indexed Mortgages.

Since the end of 1983, mortgage insurance premiums have been collected under the new prepaid premium method on all newly insured Section 203 mortgages. Under this method, the expected cost to the Government for insuring loans is discounted to present value and payable in full at closing. Currently, the prepaid premium can be financed in its entirety under the mortgage. The Budget proposes to increase the prepaid premium from 3.8 percent to 5.0 percent of the mortgage in 1987 and also proposes legislation to prohibit the financing of the prepaid premium in order to avoid the increase in default risk associated with loans having a significantly higher real loan-to-value ratio than 95 percent.

b. Other Home Programs. Other unsubsidized one-to-four family mortgage insurance programs include those for home improvement under Sections 203(k) and 220(h), outside and inside Urban Renewal areas, respectively; Section 220 Urban Renewal home program; Section 221(d)(2), insurance for families of modest income; Section 245, Graduated Payment Mortgages; the Sections 213 Cooperative and 234 Condominium programs; the Section 233 Experimental Housing program; the Section 237 Credit Assistance program for families purchasing homes with credit counseling, but without subsidy; and the Section 240 program of mortgage insurance which provides for purchase of title to leased land on which homes are located.

2. Multifamily Mortgage Insurance Programs

a. Rental Housing, Sections 221(d)(3) and (4) Market Interest Rate Programs. The Section 221(d)(3) Cooperative, Nonprofit or Limited Dividend Sponsors and the Section 221(d)(4) Profit Motivated and Limited Dividend Sponsors mortgage insurance programs are designed to meet the needs of low and moderate-income families as well as families displaced from urban renewal areas or as a result of other government action.

b. Section 223(f). Section 223(f) authorizes insurance on existing multifamily projects. This program provides insurance in conjunction with the sale or refinancing of projects over 3 years old.

c. Other Multifamily Housing Mortgage Insurance. There are seven other unsubsidized multifamily housing mortgage insurance programs which together represent approximately 25 percent of the amount of insurance written during 1985. They are: Section 207 Basic Multifamily Rental Housing, Section 220(h) Improvment Loans, Section 220 Urban Renewal, Section 233 Experimental Housing, Section 231 Housing for the Elderly, Section 213 Cooperatives, and Section 234 Condominium Housing.

d. Coinsurance. The Department began implementation of the multifamily coinsurance program during 1983 and 1984. Full implementation is expected during 1986. Under the coinsurance program, the mortgagee shares the risk of insurance losses and at the same time shares in part the insurance premium. The Section 223(f) and 221(d)(3) and (4) programs contain the coinsurance feature.

e. Non-Housing Insurance Programs. Non-housing insurance programs include Section 207 Mobile Home Courts, Section 223(d) Two Year Operating Loss, Section 232 Nursing Homes, Section 241 Supplemental Loans, Section 242 Hospitals, Title X Land Development, and Title XI Group Practice facilities. In Fiscal Year 1986, the Department will be implementing the new Board and Care Program under Section 232.

3. Property Improvement and Manufactured Home Loans (Title I)

a. General. Title I of the National Housing Act includes authority for the Department to coinsure loans made by approved private financial institutions for the purpose of financing property improvements, the purchase of a manufactured home or the preservation of historic structures.

b. Coinsurance of Property Improvement Loans. Loans made to finance alterations, repairs and improvements to existing structures, including installation of fire safety equipment in health facilities, energy conserving improvements and solar energy systems are eligible for coinsurance. The loans must be of a type which substantially protects or improves the basic livability or utility of the structures. In limited cases, loans involving the construction of small structures for commercial, industrial, or agricultural use also are eligible.

Loans in connection with single-family structures generally may not exceed either $17,500 or a term of 15 years and 32 days. Such loans require an insurance premium of 50 cents per $100 per year of the amount advanced. Loans to improve apartment buildings may not exceed $43,750, or an average of $8,750 per unit for a term of 15 years and 32 days.

c. Coinsurance of Manufactured Home Loans. Coinsurance of loans to finance the purchase of manufactured homes and sites for manufactured homes also are authorized where they are intended for use as the borrower's principal place of residence. The maximum amount of the loan is $1[illegible] 500 for a developed lot, $40,500 for a single or multi-section manufactured home without a dev[illegible]d lot and $54,000 with a developed lot and the mortgage terms range from 15 years to 25 years. Program regulations for manufactured homes permit: (1) the use of a trade-in as downpayment for a manufactured home, (2) increased loan terms for purchases involving a double-width unit and lot, and (3) increased allowance for certain accessory items and costs, e.g. air conditioners, skirting, and set-up costs.

d. Preservation of Historic Structures. Loans up to $15,000 per family unit, not to exceed $45,000, over a term of up to 15 years are eligible for co-insurance where the loan is made for the purpose of financing the preservation of an historic structure.

PROGRAM ACTIVITY

The operation of the insurance programs includes three broad activities: (1) mortgage insurance activity, including the receipt and underwriting of applications for mortgage insurance; (2) mortgage and loan management activities, including the servicing of mortgages with insurance in-force and assigned mortgages; and (3) management and disposition of HUD-owned properties. An explanation of these activities follows:

1. MORTGAGE INSURANCE ACTIVITY

a. Applications. Applications for the home mortgage insurance programs are expected to increase by about 33,700 units between 1985 and 1986 based on a stabilized financial climate. During 1987, home applications received will decrease by 274,500 units from the current 1986 estimate as the legislative proposals limiting Federal mortgage insurance are implemented. Multifamily applications during 1986 and 1987 are expected to hold constant at the 1985 level.

b. Insurance. The Budget assumes that insured mortgages will total 664,500 units in 1986 and 552,900 units in 1987. These estimates are based upon assumptions on application volume, fallout and processing time.

Mortgage insurance written and insurance-in-force for homes and multifamily projects insured under Title II of the National Housing Act and property improvement and manufactured home loans insured under Title I of the Act follow:

INSURANCE WRITTEN

PROGRAM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Millions)		
Mortgage Insurance			
Units:			
Homes	360,999	586,300	477,300
Multifamily	76,800	78,200	75,600
Total	437,799	664,500	552,900
Amount:			
Homes	$19,130	$32,233	$27,138
Multifamily	2,805	3,244	3,091
Total	21,935	35,477	30,229
Title I Loan Insurance			
Units:			
Property Improvement	174,462	175,000	175,000
Manufactured Homes	17,375	25,000	30,000
Total	191,837	200,000	205,000
Amount	$1,299	$1,433	$1,560

Mortgage and Loan Insurance Programs

c. Insurance-In-Force. The following table reflects the changes in the cumulative insurance-force from 1985-1987.

STATUS OF MORTGAGE INSURANCE CONTRACTS

	IN FORCE START OF YEAR	NEW CONTRACTS INSURED	EXISTING CONTRACTS TERMINATED	IN FORCE END OF YEAR
	(Dollars in Millions)			
1985 Actual				
Homes	5,270,345	332,225	223,812	5,378,758
Multifamily	16,974	453	790	16,637
Total	5,287,319	332,678	224,602	5,395,395
Amount	$164,873	$21,935	$7,838 a/	$189,540b/
1986 Estimate				
Homes	5,378,758	542,860	228,460	5,693,158
Multifamily	16,637	539	782	16,394
Total	5,395,395	543,399	229,242	5,709,552
Amount	$189,540	$35,477	$9,645 a/	$215,372
1987 Estimate				
Homes	5,693,158	441,870	242,414	5,892,614
Multifamily	16,394	522	771	16,145
Total	5,709,552	442,392	243,185	5,908,759
Amount	$215,372	$30,229	$11,642 a/	$233,959

a/ Includes amounts for amortization.

b/ Includes a $10.6 billion increase to outstanding multifamily mortgages to reflect corrections in the reporting system.

2. LOAN AND MORTGAGE MANAGEMENT ACTIVITIES

Loan/Mortgage Management functions are designed to forestall and reduce claims losses to the various insurance programs and are directed specifically to the successful and financially stable operation of the programs. The activities are preventive in nature and are designed to foster sound management practices through the guidance, supervision and assistance provided owners and managers. A mortgage is foreclosed only after all measures have been exhausted and the project or home mortgage cannot be reinstated under the existing ownership or feasibly transferred to new ownership.

a. Home Mortgages. Servicing of single-family mortgages includes processing mortgage assignment requests, servicing HUD-held mortgages, reviewing the mortgage servicing practices of participating lenders and mortgage servicers, and debt collection functions. Servicing also includes periodic reviews of lender portfolios by HUD staff to evaluate the status of mortgages, identify problems and propose actions to be taken to avoid potential mortgage defaults.

Since 1976, the Department has been making claim payments to insured lenders and taking over the mortgages of distressed homeowners under certain circumstances. The Housing and Community Development (HCD) Act of 1980 authorized the Temporary Mortgage Assistance Payment (TMAP) program which is presently anticipated to be implemented beginning in 1986.

(1) Current Assignment Policy. On June 10, 1976, pursuant to a consent decree in the case of Ferrell vs Hills, the Department adopted a policy to protect homeowners who, due to temporary circumstances beyond their control, were not meeting monthly mortgage obligations and were threatened with foreclosure. Based on the consent decree, HUD has been making claim payments to insured lenders and, under certain circumstances, taking mortgages into assignment rather than requiring foreclosure. While the mortgage is in assignment, the Department may reduce or suspend mortgage payments for a period of up to 36 months to enable the homeowner to resume full mortgage payments. For a defaulted mortgage to be eligible for assignment, all of the following criteria must be met:

--the lender must have notified the homeowner and HUD of its intention to foreclose;

--at least three full monthly mortgage payments must be due and unpaid;

--the default must have been caused by circumstances beyond the control of the homeowner including, but not limited to, job loss, death or family illness;

--there must be a reasonable prospect that the homeowner will be able to resume full mortgage payments following the temporary period of reduced or suspended payments; (In applying this criterion, the Field Office will rule affirmatively so long as the applicant has a past record of favorable employment and is seeking work)

--the mortgaged property must be the principal residence of the homeowner unless waived by the Area Manager; and

--the homeowner must not own any other property subject to a mortgage insured or held by HUD unless waived by the Area Manager.

On March 22, 1985, the District Court of Chicago found that the Department incorrectly applied the "circumstances criteria" when evaluating mortgagors seeking relief under the single-family assignment program. Accordingly, the court found that the Department may have erroneously foreclosed rather than taken the mortgage into assignment in a number of instances. The decree requires the Department to reprocess about 32,000 unsuccessful assignment requests in order to correct this situation. This will require additional staffing, training, travel funds, the hiring of locator services, and costs for advertising. Most of these costs are to be funded from FHA fund resources. Former owners, who "wrongfully" lost their homes, are to be offered comparable homes. If there are no such properties, compensatory damages must be paid. We currently are estimating $145 million in Purchase Money Mortgage (PMM) financing to be provided in connection with the offer of replacement housing. No estimates as to compensatory damages are included in the budget. The Department has appealed the District Court ruling, and a stay has been granted by the Appellate Court pending a final decision.

(2) Temporary Mortgage Assistance Payments (TMAP). The Housing and Community Development Act of 1980 authorized the TMAP program as an alternative to the current single-family assignment policy. Under the TMAP program, HUD will make monthly payments on behalf of single-family mortgagors who are at least three months in arrears in their monthly mortgage payments as a result of circumstances beyond their control such as: (a) curtailment of income, (b) uninsured property damage, (c) death or illness in the family, or (d) unanticipated increases in escrow payments.

The TMAP program is designed to complement the present home mortgage assignment program operated by the Department and forbearance and workout agreements sponsored by mortgagees. The program is expected to reduce initial outlays in the FHA Fund by precluding the necessity for an insurance claim as a result of a mortgage assignment. The program is intended to be consistent with the relief and basic principles established under the present home mortgage assignment program. TMAP obligations are estimated at $26.2 million in 1986 based on assistance for an initial 1,600 households and $73.8 million in 1987 based on assistance for an initial 4,500 homeowners. Program features include the following:

(a) payments will be made by HUD for a period of up to 18 months with an additional 18-months extension possible at the Secretary's discretion based on the Department's review of the mortgagor's income to determine the necessity for continuation or adjustment of the payments;

(b) there must be reasonable assurance that the mortgagor will be able to resume full mortgage payments upon termination of the assistance;

(c) payments may be made in an amount up to the principal, interest, taxes, assessments, ground rents, hazard insurance and mortgage insurance premiums due;

(d) the initial payment may include an amount necessary to make the mortgage current;

(e) the responsibility for servicing the mortgage remains with the private mortgage servicer;

(f) assistance under this program may be provided again at a later date, but only under limited conditions to be set by the Secretary; and

(g) all expenditures made pursuant to this proposal will be made from the FHA Fund applicable to the program under which the property is insured.

b. Multifamily Mortgages. Loan and mortgage management functions for multifamily projects entail responsibility for a number of activities including on-site management reviews, inspections of multifamily projects, analyses of reports on occupancy, verification of rent schedules, rent increase approvals, monitoring replacement reserve funds, the analysis of annual financial reports of multifamily projects, and debt collection. In addition, responsibilities include identification of troubled projects and the development of individual project strategies to prevent or cure defaults.

(1) Troubled Projects (Flexible Subsidy). The Troubled Projects (Flexible Subsidy program) initially was authorized by the Housing and Community Development Amendments of 1978 and is the major comprehensive program available to the Department for assisting HUD-insured or HUD-held financially troubled multifamily projects. This program provides short-term cash assistance to eligible projects to provide interim stability while long-term solutions are developed and implemented. The assistance is designed to fund the correction of deferred maintenance problems and replacement of obsolete or broken equipment, financial deficiencies, replacement reserves and operating deficits where owners can demonstrate to HUD that projects are well managed or that improvements in management will be made. Both the initial allocation and the continued provision of Flexible Subsidy assistance are conditioned upon a project owner's ability to manage projects in a manner that is satisfactory to HUD as evidenced by an acceptable Management Improvement and Operating (MIO) Plan. This program is explained in greater detail in the Troubled Projects (Flexible Subsidy) section of these Justifications.

(2) Syndication and Resyndication (Transfers of Physical Assets). The Economic Recovery Tax Act of 1981 (ERTA) favorably revised the cost recovery system for all forms of real estate used as residential property, particularly low-income housing. As a consequence of the ERTA changes, many desirable "resyndications" have been created involving multifamily housing projects with mortgages insured or held by the Department. Recognizing that a resyndication or Transfer of Physical Assets (TPA) provides an opportunity to infuse needed cash to correct physical and financial project deficiencies, the Department has published strict guidelines for reviewing and approving TPAs. Staff also have actively participated in the process to ensure that such transfers do not jeopardize and, to the extent practical, enhance the insurance fund (Federal) interest in these projects. The TPA process and the guidelines developed by the Department are a contributing factor to the substantial and steady reduction in the number of multifamily mortgage assignment claims processed since 1981. The Tax Reform Act of 1984 includes a number of revisions to the tax code which will, in the long run, reduce the attractiveness of resyndication.

(3) Sale of Multifamily Mortgages. During 1987, the Department is proposing to sell $300 million of current, unsubsidized HUD-held mortgage notes from its portfolio. The mortgages will be sold without reinsurance and are expected to result in proceeds of $210 million. No mortgage auction sale took place in 1985 and none is proposed for 1986.

3. PROPERTY DISPOSITION ACTIVITIES

The primary objective of Property Disposition functions is to reduce the inventory of HUD-owned properties in such a manner as to ensure the maximum return to the FHA Fund consistent with the need to preserve and maintain the housing stock and urban residential areas and communities. This objective is accomplished through utilization of the private sector of the market including the real estate industry, repair contractors, and mortgage bankers and lenders. Property disposition is a sales function based on business-oriented activities. In 1985, the cash flow generated from the sale of HUD-owned properties was almost $1,266.6 million, including transfers from the Urban Homesteading program.

a. Section 8 Assistance. HUD estimates that subsidized assistance for 4,000 units will be reserved in 1987 to assist in disposing of HUD-owned multifamily properties.

b. Urban Homesteading. HUD-owned properties also are disposed of under the Urban Homesteading program which provides for the transfer, with nominal payment, of unoccupied one- to four-family residences or multifamily buildings to communities with homesteading plans approved by the Secretary. The program is being conducted in cities that have specified neighborhoods in which conservation efforts are coordinated and where public services and amenities needed to arrest decline and encourage private investment are provided. This program is managed by the Assistant Secretary for Community Planning and Development (CPD) and is explained further in the CPD section of these Justifications.

c. Program Assumptions. The estimates of properties to be acquired and sold during 1986 and 1987 are based on the following assumptions:

(1) Home Properties. HUD assumes that the volume of sales in 1986 and 1987 will exceed the number of acquisitions thereby decreasing the inventory to 21,818 units by the end of 1987. The inventory is expected to decrease gradually thereafter. In addition, there should be minimal difficulty in marketing the "aged" properties that have been in the inventory 1 year or more.

(2) Multifamily Projects. Based on an accounting adjustment, the project inventory was reduced by 24 projects and 5,821 units in the early part of 1986. The inventory is estimated to decrease an additional 3,902 units as sales are expected to exceed project acquisition during the year. The inventory of projects on hand is expected to remain relatively stable after 1986.

(3) Summary of Mortgage and Property Transactions. The tables which follow highlight the principal transactions affecting the Department's home and multifamily inventory of assigned mortgages and HUD-owned properties for the period 1985-1987.

Mortgage and Loan Insurance Programs

HIGHLIGHTS OF HOME MORTGAGE AND PROPERTY TRANSACTIONS

	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
	(Dollars in Thousands)		
Defaulted Mortgage Assignments During Year			
1985 Actual	5,264	5,264	$189,108
1986 Estimate	3,400	3,400	128,452
1987 Estimate	500	500	19,708
Current Mortgage Assignments During Year			
1985 Actual	1,408	1,408	7,059
1986 Estimate	960	960	5,280
1987 Estimate	900	900	5,400
Assigned Mortgages on Hand, End of Year			
1985 Actual	37,101	37,238	874,678
1986 Estimate	40,115	40,252	977,954
1987 Estimate	40,077	40,214	970,827
Purchase-Money Mortgages on Hand, End of Year			
1985 Actual	8,742	8,984	213,691
1986 Estimate	10,972	11,214	330,653
1987 Estimate	10,168	10,416	297,144
Acquisition Activity During Year			
1985 Actual:			
Foreclosure of mortgages	832	832	21,863
Direct acquisitions	43,291	44,607	1,913,619
Total	44,123	45,439	1,935,482
1986 Estimate:			
Foreclosure of mortgages	677	677	16,472
Direct acquisitions	42,500	42,500	1,989,847
Total	43,177	43,177	2,006,319
1987 Estimate:			
Foreclosure of mortgages	756	756	18,767
Direct acquisitions	37,900	37,900	1,854,068
Total	38,656	38,656	1,872,835
Property Sales During Year			
1985 Actual	37,782	38,035	1,233,739
1986 Estimate	45,500	45,500	1,566,129
1987 Estimate	42,000	42,000	1,611,246
HUD-owned Properties on Hand, End of Year			
1985 Actual	26,390	27,485	1,058,312
1986 Estimate	24,067	25,162	1,118,329
1987 Estimate	20,723	21,818	1,004,004
Claims Paid--No Acquisition b/			
1985 Actual	NA	NA	1,075
1986 Estimate	1,540	1,540	31,348
1987 Estimate	6,700	6,700	117,940

a/ Amounts for "Assigned Mortgages" and "Direct Acquisition" represent the claims paid. For "Sales," the amount reflects the cash proceeds; for "HUD-owned Properties on Hand," the amount reflects acquisition cost; and for "Mortgages on Hand," the amount reflects the unpaid balance.

b/ Includes coinsurance claims.
NA-Not Available

HIGHLIGHTS OF MULTIFAMILY MORTGAGE AND PROPERTY TRANSACTIONS

	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
		(Dollars in Thousands)	
Defaulted Mortgage Assignments During Year			
1985 Actual	23	2,804	$49,350
1986 Estimate	35	4,550	74,850
1987 Estimate	29	3,770	61,413
Current Mortgage Assignments During Year			
1985 Actual	5	264	1,446
1986 Estimate	17	2,210	23,500
1987 Estimate	30	3,900	31,500
Assigned Mortgages on Hand, End of Year			
1985 Actual	1,171	161,227	2,666,786
1986 Estimate	1,114	153,697	2,537,729
1987 Estimate	860	119,103	2,163,090
Purchase-Money Mortgages on Hand, End of Year			
1985 Actual	286	31,765	218,077
1986 Estimate	278	30,845	202,355
1987 Estimate	224	24,857	129,075
Acquisition Activity During Year			
1985 Actual:			
Foreclosure of mortgages	48	5,151	90,233
Direct acquisitions	1	618	9,974
Total	49	5,769	100,207
1986 Estimate:			
Foreclosure of mortgages	60	7,800	113,214
Direct acquisitions	...	...	...
Total	60	7,800	113,214
1987 Estimate:			
Foreclosure of mortgages	61	7,930	111,247
Direct acquisitions	...	...	...
Total	61	7,930	111,247
Property Sales During Year			
1985 Actual	66	4,958	32,835
1986 Estimate	74	11,702	87,765
1987 Estimate	60	7,852	58,899
HUD-owned Properties on Hand, End of Year			
1985 Actual	95	14,388	151,710
1986 Estimate b/	57	4,665	52,808
1987 Estimate	58	4,743	59,607

a/ Amounts for "Assigned Mortgages" and "Direct Acquisition" represent the claims paid. For "Sales," the amount reflects the cash proceeds; for "HUD-owned Properties on Hand," the amount reflects acquisition costs; and for "Mortgages on Hand," the amount reflects the unpaid balance.

b/ Reflects a technical adjustment decreasing the inventory by 24 projects for 5,821 units, in accordance with an accounting reconciliation.

Mortgage and Loan Insurance Programs

STATUS OF THE FEDERAL HOUSING ADMINISTRATION FUND

1. Scope of Operations. Income to finance FHA Fund operations is derived from fees, insurance premiums and interest on investments which are credited to each of the four separate funds as appropriate. Revenue from HUD-held mortgages and receipts from HUD-owned property sales also provide the cash which is used to finance mortgage and loan insurance operations. Operating expenses and losses on properties, mortgages, and notes acquired under the terms of insurance contracts also are charged to each appropriate Fund. Deficits prior to 1976 generally were financed from Treasury borrowings which were used to pay insurance claims against the Funds. Since 1976, however, the General Insurance and Special Risk Insurance Funds have received additional financing in the form of appropriations to restore losses to these Funds resulting from the liquidation and sale of HUD-owned properties and mortgages.

The Budget assumes that the prepaid Mortgage Insurance Premium (MIP) charge on home mortgages insured by the FHA (except Section 222) will be increased in 1987 from the current rate of 3.8 percent up to 5.0 percent of the mortgage. The proposed change is part of an Administration-wide effort to increase fee income. The FHA prepaid premium increase is expected to generate an additional $209 million of collections in 1987.

The Housing and Urban-Rural Recovery Act (HURRA) of 1983 amended the National Housing Act to allow for payment of claims by the Department without acquisition of title. Under proposed regulations, eligible properties facing foreclosure would be advertised and offered for sale at a fair market value as determined by a HUD-approved appraisal. Mortgagees would be required to bid at least the fair market value, less appropriate adjustments unless the fair market value is greater than the indebtedness. Mortgagees would receive the difference between the amount paid at the foreclosure sale and the insurance benefit payment that would have been paid if the property had been conveyed to HUD. The objective of these new procedures is to expand the number of bidders for these properties and to decrease the number of properties conveyed to HUD thus reducing the amount of expenses now incurred by the Department during the time HUD holds the properties. It is estimated that 6,700 such claims will be received in 1987.

The HURRA of 1983 eliminated the "buy-back" provision allowing the mortgagee to assign to HUD current mortgages insured under Section 221 which are in their 20th year of amortization. This provision is prospective. For those mortgages eligible under the "buy-back" feature, the claim would be paid from the FHA Fund and the Government National Mortgage Association (GNMA) would take delivery of a multifamily mortgage while a single-family mortgage would be maintained in the FHA inventory. Upon the sale of the mortgage by GNMA, the FHA Fund would be credited with the proceeds less administrative costs. This Budget assumes that GNMA will not exercise its "buy-back" option under this provision concerning eligible mortgages held in its portfolio. During 1987, it is expected that claim payments will be made on 900 single family notes and 30 mulifamily project notes.

Current operating procedures provide for the settlement of insurance claims with cash payments on all home mortgages and on those multifamily mortgages insured under Sections 220, 221, 223(e), 233, 236, 235(j), 244, 1002, 241 and 223(f) under certain conditions. Other multifamily claims are paid by the issuance of debentures. Debentures totaling $19.1 million were issued in 1985 and are estimated at $48.7 million in 1986 and $51.9 million in 1987. Cash claim payments which are estimated at $2,273.4 million for 1986 and $2,124.1 million for 1987 will be financed from cash balances, current income and supplemented by appropriations and Treasury borrowings if necessary. The Budget anticipates a repayment of $308.3 million of Treasury borrowings in 1986 and $585.9 million in 1987.

The financial operations for the mortgage insurance funds reflect total estimated obligations of $3,173 million in 1987. This consists of $1,035 million in estimated operating costs and $2,138 million in estimated capital investment primarily for payment of mortgage claims (see table on page J-19).

2. Contractual Services. In recent years the Department has entered into a number of contracts which are being funded from the FHA Fund. Listed below are six "major" contracts now in force:

(a) Computerized Home Underwriting Management System (CHUMS) which is estimated at $7.6 million in 1986 and $8.4 million in 1987.

(b) Automated project based financial management and accounting services for the Department's HUD-owned and Mortgagee-In-Possession (MIP) projects. The cost of such services are estimated at $1.6 million in 1986 and 1987.

(c) Single-Family Notes (THRIFT) System, which provides billing and accounting services for single-family operations. Cost is estimated at $2.1 million in 1986 and 1987.

(d) Title I Notes (DCMS) System, which provide billing, accounting and reporting services for Title I properties. Cost is estimated at $3.8 million in 1986 and 1987.

(e) Multifamily Accounting, Reporting and Servicing (MARS) System which is estimated at $800 thousand in 1986 and 1987.

(f) Locator service in connection with the Ferrell litigation, to locate former homeowners who are eligible to be processed under new assignment guidelines. Cost is estimated at $2.6 million in 1986.

Not included above but considered as "major" are management, repair and service contracts for HUD-owned properties which also are funded from the FHA Fund.

This Budget also reflects funding for a proposed, new contract for tax payment on single-family acquired properties and mortgage notes. Cost is estimated at $1.5 million in 1986 and $500 thousand in 1987.

In addition, the Budget includes the use of approximately $10 million in 1986 and 1987 for use in hiring qualified, outside personnel to perform specific case work activities. Fees are used to complement staff activities in a broad range of underwriting, servicing and management activities in those situations where temporary workload exceeds resources, the Field Office does not have sufficient numbers of technically competent trained staff for a particular function or the geographic location of the work site makes use of non-federal, qualified personnel cost-effective.

Finally, it is expected that during 1986, the Department will execute a contract to provide disposition, management, accounting and information services concerning the inventory of single-family HUD-owned properties. This Budget does not reflect the estimated cost of this contract, since presently this information is not available and much of the cost of "managing" the on-hand properties is currently recorded as property expenses in the Budget financial statements.

3. Appropriations. The National Housing Act, as amended, authorizes appropriations to restore actual losses sustained from mortgage insurance operations of the Special Risk Insurance (SRI) Fund and the General Insurance (GI) Fund. Appropriations are based on actual losses resulting from the acquisition and sale or liquidation of acquired properties or mortgage notes. Through 1986, $4,222 million has been appropriated to the GI and SRI Funds. An additional appropriation of $273 million is requested in 1987 for losses incurred in 1985. Appropriations for losses incurred under the Urban Homesteading program which totaled $35 million through 1985 have been included under that program and are not reflected in the following summary of appropriations:

APPROPRIATIONS

INSURANCE FUND	CUMULATIVE 9/30/84	ACTUAL 1985	ACTUAL 1986	ESTIMATE 1987	ESTIMATED CUMULATIVE 9/30/87
		(Dollars in Thousands)			
General Insurance	$2,146,363	$232,297	$155,375	$170,915	$2,704,950
Special Risk Insurance	1,448,405	155,386	84,387	102,040	1,790,218
Total	3,594,768	387,683	239,762	272,955	4,495,168

Mortgage and Loan Insurance Programs

Appropriations in the General Insurance Fund and the Special Risk Insurance Fund, which are authorized by the National Housing Act, as amended, have been utilized to fund both operating requirements and the repayment of Treasury borrowings. In recent years, as cash flow has improved in these Funds, the appropriations increasingly have been utilized to repay Treasury borrowings. This has permitted an orderly liquidation of these obligations over time while also reducing the annual interest burden on the GI and SRI Funds.

The Budget anticipates that $246 million of the $273 million requested appropriation will be used for repayment of Treasury borrowings. The remaining $27 million will be used to fund operating requirements in the SRI Fund not otherwise provided for. Successful execution of this budget plan depends upon the degree to which obligations, revenues and other receipts presently estimated for the two Funds in 1987 actually materialize. A shortfall in property sales proceeds, proceeds from the proposed mortgage note sale or a reduction in fee and premium receipts could result in a reduction of planned Treasury repayment or possibly even the need for additional Treasury borrowings.

The following table summarizes the use of appropriations in the GI and SRI Funds:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Special Risk Insurance Fund			
Appropriations	$155,386	$84,387	$102,040
Treasury Borrowings	...	...	...
Treasury Borrowings Repaid from Appropriations	-75,000	-10,000	-75,000
Budget Authority	80,386	74,387	27,040
General Insurance Fund			
Appropriations	232,297	155,375	170,915
Treasury Borrowings	...	...	...
Treasury Borrowings Repaid from Appropriations	-232,297	-155,375	-170,915
Subtotal, Budget Authority	...	...	...
Debentures Issued	19,126	48,693	51,946
Budget Authority	19,126	48,693	51,946
Total FHA Budget Authority	99,512	123,080	78,986

This table illustrates that while a total of $273 million of appropriations are requested in 1987 only $27 million of budget authority results from that request. Should the appropriated amounts anticipated for repayments be used for other purposes, for example, to cover a shortfall in other receipts, the actual budget authority used would be correspondingly increased. If the appropriation request were not enacted there would be no savings of budget authority and in fact, both budget authority and outlays would increase. The $27 million of budget authority in the SRI Fund is needed to meet projected operating requirements in 1987. In lieu of the appropriation, Treasury borrowings, which counts as budget authority, would be utilized in at least that amount to generate the resources needed to cover projected obligations. Interest expense would increase in both the GI and SRI Funds leading to higher than planned outlays and pressure for even more borrowing thus leading to higher budget authority requirements. This is the debilitating financial spiral which threatened the financial condition of the Funds in the 1970's and which the appropriation of funds over the past decade has stemmed and reversed.

4. Borrowing from the Treasury. Since the General and Special Risk Insurance Funds have not generated sufficient income to meet expenses, the Department has borrowed substantial sums from the Treasury in order to meet obligations resulting from insurance operations. Since 1982, however, the requirement to borrow has diminished, and outstanding Treasury borrowings have been reduced, primarily in the GI Fund. Treasury borrowings and the interest expenses which have accrued from 1966-1987 as a result of the borrowing requirement follows:

BORROWINGS AND INTEREST

FISCAL YEAR	TREASURY BORROWING IN YEAR	TREASURY BORROWING CUMULATIVE	INTEREST EXPENSE IN YEAR	INTEREST EXPENSE CUMULATIVE
	(Dollars in Thousands)			
1966 - 1975	NA	$3,677,268	NA	$424,000
1976	$989,000	4,666,268	$301,871	725,932
Transition Quarter	212,000	4,878,268	87,567	813,499
1977	-1,349,447	3,528,821	328,410	1,141,909
1978	440,000	3,968,821	286,313	1,428,222
1979	...	3,968,821	310,040	1,738,262
1980	82,000	4,050,821	311,373	2,049,635
1981	96,000	4,146,821	319,690	2,369,325
1982	-35,000	4,111,821	333,767	2,703,092
1983	-77,387	4,034,434	333,790	3,036,882
1984	-260,000	3,774,434	320,387	3,357,269
1985	-335,000	3,439,434	300,790	3,658,059
1986 est	-308,375	3,131,059	276,348	3,934,407
1987 est	-585,915	2,545,144	240,601	4,175,008

5. Composition of Assets. As of September 30, 1985, assets totaled $7,923.0 million, including $3,918.9 million in Government securities and other investments, $821.2 million in real and personal property, $1,838.6 million in assigned and defaulted mortgage notes, $343.6 million in mortgage notes acquired from the sale of properties and $1,000.7 million in cash and accounts receivable. The properties and notes on hand are valued at acquisition cost or unpaid balance less an allowance for anticipated future losses (see table on page J-22). During 1987, the value of the total assets is expected to increase to $10,596.3 million primarily as a result of increases in premium collections invested with the U.S. Treasury.

6. Government Equity. Government equity, which is comprised of appropriations and cumulative net operating income and expenses, increased by $310.2 million to approximately $2,022.1 million as of September 30, 1985. The increase was due mainly to appropriations received during the year.

The following table reflects the net operating results:

NET OPERATING RESULTS

INSURANCE FUND	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Millions)		
Net Income or Loss from Operation			
Mutual Mortgage	$3,729	$4,184	$4,791
Cooperative Management Housing	20	20	20
Special Risk	-3,025	-3,120	-3,191
General Insurance	-2,719	-2,641	-2,517
Total Net Loss	-1,995	-1,557	-897
Cumulative Appropriations			
Urban Homesteading	35	35	35
Special Risk	1,604	1,688	1,790
General Insurance	2,378	2,534	2,705
Total Appropriations	4,017	4,257	4,530
Net Government Equity	2,022	2,700	3,633

Mortgage and Loan Insurance Programs

7. Summary Tables. Summary statements of Obligations and Financing, Income and Expense, Financial Condition and Estimated Losses Anticipated for Mortgages and Properties on Hand are shown on the following pages.

SUMMARY OF OBLIGATIONS AND FINANCING

OBLIGATIONS	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Capital Investment			
Acquisition of real properties	$1,923,593	$1,989,847	$1,854,068
Assignment of Title I notes	70,831	68,850	86,000
Assignment of defaulted mortgages	238,458	203,302	81,121
Claim payment on current mortgages	8,505	28,780	36,900
Notes taken on sale	11,969	145,000	...
Temporary mortgage assistance payments	...	26,240	73,800
Acquisition of other assets	5,958	6,000	6,000
Total capital investment	2,259,314	2,468,019	2,137,889
Operating Costs			
Transfer to Salaries and Expenses, HUD	281,912	251,404	259,783
Administrative expenses sequestered	...	-10,810	...
Interest to Treasury	300,790	276,348	240,601
Interest on debentures	12,788	10,361	11,265
Property expenses	215,535	260,295	237,753
Other operating costs and adjustments	19,529	45,977	58,977
Participation payments	99,851	105,000	109,000
Loss on defaulted guaranteed claims	1,075	31,348	117,940
Total operating costs	931,480	969,923	1,035,319
Total Obligations	3,190,794	3,437,942	3,173,208
FINANCING			
Debenture Issuance and Redemption			
Issued	19,126	48,693	51,946
Redeemed	-41,614	-44,520	-46,106
Net Debentures Issued or Redeemed	-22,488	4,173	5,840
Borrowing From U.S. Treasury (net)	-335,000	-308,375	-585,915
Appropriation	387,683	239,762	272,955
Administrative Cost Sequestered, Transferred to U. S. Treasury	...	-10,810	...
Revenue			
Fees and premiums	1,785,696	2,004,839	2,073,157
Interest on U.S. securities	360,556	442,661	573,172
Other interest, dividends and revenue	377,669	396,054	363,714
Total Revenue	2,523,921	2,843,554	3,010,043
Other Receipts			
Proceeds from sale of real properties	1,257,855	1,642,477	1,660,395
Proceeds from sale of mortgages	...	15,334	232,019
Urban Homesteading transfer	8,719	11,417	9,750
Notes taken on sale	11,969	145,000	...
Recoveries on defaulted mortgages, mortgage notes and Title I notes	129,244	141,362	149,560
Total Other Receipts	1,407,787	1,955,590	2,051,724
Total Revenue and Other Receipts	3,931,708	4,799,144	5,061,767
Unobligated balance, start of year	3,066,827	3,837,936	5,123,888
Unobligated balance, end of year	3,837,936	5,123,888	6,705,327
Net increases (-) in unobligated balance	-771,109	-1,285,952	-1,581,439
Total Financing	3,190,794	3,437,942	3,173,208

Mortgage and Loan Insurance Programs

SUMMARY STATEMENT OF INCOME AND EXPENSES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Income			
Fees and insurance premiums	$952,881	$1,016,008	$1,113,886
Interest on U. S. Government securities	360,556	442,661	573,173
Other interest, dividends and income	437,848	396,054	363,714
Total Income	1,751,285	1,854,723	2,050,773
Exenses			
Transfer to Salaries and Expenses, HUD	281,912	251,404	259,783
Administrative expenses sequestered	...	-10,810	...
Acquired security and notes	832,676	726,905	945,587
Interest on borrowings from U.S. Treasury and debentures	313,578	286,709	251,866
Fees, contracts and other expenses	20,604	45,730	58,154
Total Expenses	1,448,770	1,299,938	1,515,390
Net Profit Before Adjustment for Valuation	302,515	554,785	535,383
Increase (-) or Decrease (+) in Valuation Allowances			
Allowance for estimated uncollectible premiums and accounts receivable	-63,406	...	...
Allowance for estimated future losses on acquired properties and notes	-185,299	+4,871	+249,026
Allowance for estimated future losses on defaulted Title I notes	-44,420	-5,586	-15,798
Net Adjustment in Valuation Allowances	-293,125	-715	+233,228
Net profit	9,390	554,070	768,611
Prior year adjustments	12,955	...	...
Participation payments	-99,851	-105,000	-109,000
Sequestered amounts transferred to U. S. Treasury	...	-10,810	...
Appropriation	387,683	239,762	272,955
Increase or Decrease in Government Equity	+310,177	+678,022	+932,566

Mortgage and Loan Insurance Programs

STATEMENT OF FINANCIAL CONDITION AT END OF YEAR

(Dollars in Thousands)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
ASSETS			
Current Assets			
Cash	$56,810	$53,875	$58,500
Accounts receivable a/	943,941	883,517	883,941
Total Current Assets	1,000,751	937,392	942,441
Investments			
U.S. Government securities (par)	3,918,814	5,281,690	6,879,296
Stock purchased in rental and cooperative housing corporations	56	56	56
Total Investments	3,918,870	5,281,746	6,879,352
Other Assets a/			
Mortgage notes and sales contracts	343,583	408,842	341,825
Acquired security-real property	739,460	723,157	655,847
Mortgage notes assigned under terms of insurance	1,744,923	1,748,892	1,574,289
Defaulted Title I notes	93,632	97,596	108,808
Other assets	81,782	87,782	93,783
Total Other Assets	3,003,380	3,066,269	2,774,552
Total Assets	7,923,001	9,285,407	10,596,345
LIABILITIES			
Accounts payable and accrued liabilities	554,152	554,152	554,152
Deferred credits	1,767,925	2,756,511	3,714,958
Debentures payable (issued and outstanding)	117,157	121,330	127,170
Outstanding borrowings	3,439,434	3,131,059	2,545,144
Reserve for foreclosure costs on defaulted mortgage notes	22,244	22,244	22,244
Total Liabilities	5,900,912	6,585,296	6,963,668
Government Equity			
Unexpended budget authority:			
Unobligated balance	3,837,935	5,123,887	6,705,326
Undelivered orders	2,555	16,120	37,336
Unfinanced budget authority:			
Unfilled customers orders	-1,243,002	-2,231,588	-3,190,035
Invested capital	-575,399	-208,308	80,050
Total Government Equity	2,022,089	2,700,111	3,632,677
Total Liabilities and Government Equity	7,923,001	9,285,407	10,596,345

a/ Less allowance for losses.

Mortgage and Loan Insurance Programs

ESTIMATED LOSSES ANTICIPATED FOR MORTGAGES AND PROPERTIES ON HAND AS OF SEPTEMBER 30, 1985

FUND	ASSIGNED MORTGAGES AND ACQUIRED PROPERTIES ON HAND, 9-30-85 UNITS	AMOUNT a/	ESTIMATE OF LOSS ON ACQUIRED SECURITY ON HAND	PERCENT OF LOSS ESTIMATE ESTABLISHED TO AMOUNT ON HAND
		(Dollars in Thousands)		
Home Mortgages Assigned				
Mutual Mortgage Insurance Fund......	22,231	$648,022	$228,252	35.22
General Insurance Fund..............	9,362	121,478	62,485	51.44
Special Risk Insurance Fund.........	5,645	105,178	51,609	49.07
Total, Assigned Mortgages.........	37,238	874,678	342,346	39.14
Home Properties Acquired				
Mutual Mortgage Insurance Fund......	21,859	921,012	328,470	35.66
General Insurance Fund..............	3,294	75,350	43,768	58.09
Special Risk Insurance Fund.........	2,332	61,950	28,885	46.63
Total, Acquired Properties........	27,485	1,058,312	401,123	37.90
Total, Home Mortgages Assigned and Acquired Properties..............	64,723	1,932,990	743,469	38.46
Multifamily Mortgages Assigned				
General Insurance Fund..............	117,191	1,813,860	973,791	53.69
Cooperative Management Housing Insurance Fund......................	153	1,189	...	...
Special Risk Insurance Fund.........	43,883	851,737	480,997	56.47
Total, Assigned Mortgages.........	161,227	2,666,786	1,454,788	54.55
Multifamily Properties Acquired				
General Insurance Fund..............	12,638	122,351	62,947	51.45
Cooperative Management Housing Insurance Fund......................	...	122	...	...
Special Risk Insurance Fund.........	1,750	29,237	6,586	22.53
Total, Acquired Properties........	14,388	151,710	69,533	45.83
Total, Multifamily Mortgages Assigned and Acquired Properties..........	175,615	2,818,496	1,524,321	54.08
Total, Home and Multifamily Assigned Mortgages and Acquired Properties......................	240,338	4,751,486	2,267,790	47.73

a/ Assigned mortgages are reflected at the unpaid balance and acquired properties at the acquisition cost.

Mortgage and Loan Insurance Programs

PROGRAM HIGHLIGHTS BY FUND

For budget and financial purposes, the mortgage and loan insurance activities of the FHA Fund currently are grouped under existing legislation into the following four separate insurance funds: the Mutual Mortgage Insurance Fund, the Cooperative Management Housing Insurance Fund, the Special Risk Insurance Fund and the General Insurance Fund. Each Fund is treated as a separate entity in terms of income, expenses and net reserve position as described below:

1. Mutual Mortgage Insurance Fund

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Millions)			
Mortgage Insurance Written					
Units	336,553	404,088	344,303	447,134	-97,169
Amount	$17,922	$21,934	$29,973	$25,424	-$4,549
Government Equity	3,747	4,454	4,203	4,809	+606
Mortgage Activity (units)					
Assignments	3,930	416	2,550	375	-2,175
Conversions and liquidations	1,208	962	800	855	+55
On Hand, end of year	22,231	20,251	23,981	23,501	-480
Property Activity (units)					
Acquisitions	36,008	24,077	34,826	31,143	-3,683
Sales	28,868	24,720	36,855	34,020	-2,835
On Hand, end of year	21,859	11,871	19,830	16,953	-2,877

The Mutual Mortgage Insurance Fund is the largest of the four insurance Funds and includes the Section 203 Basic Single-Family Mortgage Insurance program. Mortgagors under this program are entitled, at termination of their mortgages, to a rebate of premiums (dividends) paid into the Fund that are not required for expenses or losses. Through September 30, 1985, such dividends declared to homeowners totaled $938.0 million. The changes occurring in Government Equity in this Fund follow:

MUTUAL MORTGAGE INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Income	$1,073,158	$1,162,305	$1,387,864
Expense	-670,971	-518,272	-712,939
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for estimated future losses on acquired properties, notes and accounts receivable	-240,326	-83,590	+35,694
Net Income	161,861	560,443	710,619
Participation payments	-93,851	-100,000	-104,000
Other adjustments	21,400	...	...
Sequestered amounts transferred to U.S. Treasury	...	-5,048	...
Increase in Government Equity	89,410	455,395	606,619
Balance of Government Equity	3,747,368	4,202,763	4,809,382

2. Cooperative Management Housing Insurance Fund

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Millions)				
Mortgage Insurance Written					
Units	...	...	...	...	...
Amount	...	...	...	...	...
Government Equity	$20	$26	$20	$20	...
Mortgage Activity (units)					
Assignments	...	...	...	...	...
Conversions and liquidations	505	...	...	...	...
On Hand, end of year	153	658	153	153	...
Property Activity (units)					
Acquisitions	283	...	...	...	...
Sales	471	...	...	...	...
On Hand, end of year	...	188	...	...	...

The Cooperative Management Housing Insurance Fund also is a mutual fund and provides mortgage insurance for management-type cooperatives and supplementary loans under Section 213. Participation payments totaled $76.9 million and insurance was written on 75,750 Section 213 units representing $957.8 million through September 30, 1985. Of the insurance written, $586.4 million remained outstanding as of September 30, 1985. The changes occurring in Government Equity in this Fund follow:

COOPERATIVE MANAGEMENT HOUSING INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Income	$8,069	$6,115	$5,875
Expense	-7,168	-1,028	-894
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for estimated future losses on acquired properties, notes and accounts receivable	-155	...	...
Net Income	746	5,087	4,981
Participation payments	-6,000	-5,000	-5,000
Other adjustments	-362	...	...
Increase or decrease (-) in Government Equity	-5,616	87	-19
Balance of Government Equity	19,878	19,965	19,946

Mortgage and Loan Insurance Programs

3. Special Risk Insurance Fund

(Dollars in Millions)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Mortgage Insurance Written					
Units	2,805	1,742	8,815	3,419	-5,396
Amount	$129	$96	$400	$155	-$245
Government Equity	-1,412	-1,436	-1,423	-1,393	+30
Mortgage Activity (units)					
Assignments	873	1,235	1,705	1,181	-524
Conversions and liquidations	1,471	3,931	3,868	10,450	+6,582
On Hand, end of year	49,528	46,171	47,365	38,096	-9,269
Property Activity (units)					
Acquisitions	5,319	7,025	5,908	5,597	-311
Sales	6,774	6,720	6,800	5,480	-1,320
On Hand, end of year	4,082	4,873	2,483 a/	2,600	+117

a/ Reflects a 707 unit decrease as a result of an accounting reconciliation.

The Special Risk Insurance (SRI) Fund was created by the Housing and Urban Development Act of 1968 to finance mortgage insurance operations for: mortgages in older, declining urban areas which otherwise would not be eligible for mortgage insurance (Section 223(e)); high-risk mortgagors who would not be eligible for mortgage insurance, but who could become acceptable credit risks with housing counseling (Section 237); mortgagors receiving interest reduction payments (Sections 235 and 236); mortgages covering experimental housing where strict adherence to State or local building regulations is not observed (Section 233); and mortgages in military impacted areas (Section 238).

The 1968 Act also provided for the transfer of $20 million from the General Insurance Fund to the Special Risk Insurance Fund since operating costs generally exceed income from fees and premiums during the first few years a new insurance program is in operation. In 1969, the first year of operation, the Special Risk Insurance Fund was capitalized with $5 million advanced from the General Insurance Fund. The remaining $15 million authorized by the 1968 Act was transferred to the Fund during 1970 and 1971.

The Act also authorizes appropriations to cover insurance losses to this Fund because of the high risk nature of the mortgages insured. Prior to 1976, claim payments in excess of Fund balances were borrowed from the U.S. Treasury. These borrowings totaled $2,031 million as of September 30, 1976. In 1976, $100 million was appropriated to this Fund and an additional $623.2 million was appropriated in 1977. The amount appropriated in 1977 was utilized to reduce the outstanding Treasury borrowings to a cumulative total of $1,617.2 million. Since 1977, additional borrowings have totaled to $422 million and $130 million has been repaid which increased the outstanding Treasury debt to $1,909.2 million as of September 30, 1985. The Budget assumes repayment of borrowings of $10 million in 1986 and $75 million in 1987. The changes occurring in Government Equity in this Fund follows:

SPECIAL RISK INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Income	$187,993	$175,759	$162,734
Expense	-318,745	-284,238	-306,223
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for estimated future losses on acquired properties, notes, and accounts receivable	+21,886	+14,830	+71,621
Net income or loss (-)	-108,866	-93,649	-71,868
Other adjustments	-6,921	...	...
Sequestered amounts transferred to U.S. Treasury	...	-1,114	...
Appropriation	155,386	84,387	102,040
Increase or Decrease (-) in Government Equity	39,599	-10,376	30,172
Balance of Government Equity (deficit)	-1,412,418	-1,422,794	-1,392,622

4. General Insurance Fund

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Millions)			
Mortgage Insurance Written					
Units	98,441	89,370	111,382	102,347	-9,035
Amount	$3,885	$3,791	$5,104	$4,650	-$454
Government Equity	-333	-247	-100	196	+296
Mortgage Activity (units)					
Assignments	4,937	4,210 a/	4,655 a/	3,614 a/	-1,041
Conversions and liquidations	6,835	12,972	8,757	28,498	+19,741
On Hand, end of year	126,553	114,989	122,451	97,567	-24,884
Property Activity (units)					
Acquisitions	9,598	12,098	10,243	9,846	-397
Sales	6,880	11,760	13,547	10,352	-3,195
On Hand, end of year	15,932	10,550	7,514 b/	7,008	-506

a/ Excludes multifamily mortgages issued under Section 221(g)(4).

b/ Reflects a 5,114 unit decrease as a result of an accounting reconciliation.

The General Insurance Fund includes programs for the insurance of loans on property repair and improvements; on basic and special purpose multifamily housing; on urban renewal, middle income and armed forces housing; and on war and defense housing. Insurance of loans for land development, group practice medical facilities and nonprofit hospitals also are included in this Fund as well as insurance of supplemental loans for the financing of improvements and additions to multifamily projects, nursing homes and group practice medical facilities. The major program included in this Fund is Section 221 moderate income housing.

Mortgage and Loan Insurance Programs

Government equity was in a deficit status of $333 million at the end of 1985. However, appropriations in 1986 and 1987 are expected to increase the Government Equity to a positive level by the end of 1987. The changes occurring in Government Equity in this Fund follow:

GENERAL INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Income	$482,065	$510,544	$494,299
Expense	-451,886	-496,386	-495,272
Increase (-) or Decrease (+) In Valuation Allowances			
Allowance for estimated future losses on acquired properties and notes	-74,530	+68,032	+125,851
Net income or loss (-)	-44,351	82,190	124,878
Prior year adjustments	-1,162	...	...
Sequestered amounts transferred to U.S. Treasury	...	-4,648	...
Appropriation	232,297	155,375	170,915
Increase in Government Equity	186,784	232,917	295,793
Balance of Government Equity (deficit)	-332,739	-99,822	195,971

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM
(Section 202)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Levels					
Annual Limitation on Lending					
Enacted/Proposed...........	$600,000	$50,000	$631,033	$30,262	-$600,771
Sequestration..............	...	...	-27,134	...	+27,134
Proposed Supplemental Reduction.................	...	...	-549,257	...	+549,257
Total....................	600,000	50,000	54,642	30,262	-24,380
Reservations					
Units......................	12,639	...	100	...	-100
Amount.....................	$596,950	$50,000	$54,642	$30,262	-$24,380
Construction Activity (units)					
Starts.....................	8,753	13,000	7,600	7,600	...
Completions................	15,083	16,000	8,000	7,500	-500
Budget Authority.............	$503,713	$19,929	... a/	...	...
Budget Outlays b/............	500,970	589,581	490,171	385,148	-105,023

a/ 1986 budget authority would have been $525.9 million in the absence of sequestration and other reductions.

b/ Reflects net outlays for both the original program and the revised program.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The FY 1987 Budget proposes terminating funding for new Section 202 projects beginning in 1986. Consistent with this proposal, the Budget includes a proposed supplemental reduction of $549,257 thousand of the 1986 loan limitation, in addition to the sequestration of $27,134 thousand pursuant to P.L. 99-177. A total limitation of $54,642 thousand in 1986 and a proposed limitation of $30,262 thousand in 1987 would be available to amend applications approved in prior years which are in the processing pipeline.

2. CHANGES FROM 1985 ESTIMATE INCLUDED IN 1986 BUDGET

During 1985, gross loan approvals totaled $596,950 thousand representing reservations supporting 12,639 units. The loan limitation in the 1985 Appropriation Act was $600,000 thousand or $3,050 thousand higher than the amount actually used. The 12,639 unit reservations approved in 1985, represented a 1,022 unit increase from the prior estimate of 11,617 units.

Construction starts (8,753 units) were substantially lower than the prior estimate for 14,000 unit starts while construction completions (15,083 units) were about the same as the previous estimates.

Outlays during 1985 totaled $500,970 thousand compared with the prior estimate of $571,556 thousand. This decrease in 1985 outlays is attributable to the slower than anticipated disbursement of loan funds due to lower construction start activity.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The loan limitation estimate for 1986 was increased by the HUD-Independent Agencies Appropriation Act (P.L. 99-160) to $631,033 thousand. The Gramm-Rudman-Hollings sequestration, together with the proposed supplemental reduction, will reduce the loan limitation to $54,642 thousand. Last year's estimates assumed a two-year moratorium on Section 202 units (1986-1987). As with this Budget, loan commitment requirements ($50 million) were limited to amounts needed to meet amendment requirements. The 1986 outlay estimate has been decreased to reflect the current rate of loan disbursements.

EXPLANATION OF INCREASES AND DECREASES

The Budget requests a reduced loan limitation to reflect the elimination of funding for new projects under the program. During 1987, construction starts are projected to remain the same (7,600) and completions are projected to decrease by 500 units -- from 8,000 to 7,500 units -- based on the estimated production pipeline.

Outlays in 1987 are expected to decrease based upon the proposed termination of funding for new projects during 1986 and the ensuing reduction in loan disbursements. The limitation proposed for 1987 will fund only amendments to reservations made in previous years.

PROGRAM DESCRIPTION

The Housing for the Elderly or Handicapped program is authorized by Section 202 of the Housing Act of 1959, as amended. This program provides direct loans to non-profit organizations sponsoring the construction and management of rental housing for the elderly or handicapped. The original program provided direct Federal loans at three percent interest for constructing, rehabilitating or altering rental housing for the elderly or handicapped whose incomes were above the level set for admission to public housing, but below that needed to pay rent for adequate private housing. When the Section 236 Rental Housing Assistance program was enacted, no new loans were reserved under the original Section 202 program after 1970. The Section 202 program was revised by Section 210 of the Housing and Community Development Act of 1974, as amended. This changed the program to:

1. Provide direct loans at interest rates based on the Treasury's average borrowing rate on all debt, plus an allowance to cover administrative costs and possible losses.

2. Limit the aggregate loans to be made in any fiscal year to amounts approved in appropriation acts.

3. Direct that the program be used in conjunction with the Section 8 Housing Assistance Payments program by requiring that the availability of monthly assistance payments under Section 8 be considered to determine if the project is feasible and marketable. The Budget assumes that all loan approvals will involve Section 8 program assistance.

4. Direct that project unit costs not be determined by the mortgage limits applicable to housing projects insured under Section 231 of the National Housing Act, the Housing for Elderly mortgage insurance program.

In 1982, the Department revised its policies and procedures to promote cost containment in approved new construction and substantial rehabilitation projects. The measures: (1) Prohibit the use of excessive amenities (i.e., swimming pools, balconies, saunas, jacuzzis and dishwashers) (2) Prohibit the use of unusual building configurations; (3) Limit the size of units and the number of bathrooms; (4) Set minimum requirements on the percentage of efficiency units included in projects; (5) Prohibit the use of two-bedroom units (except for managerial units and for projects designed for nonelderly-handicapped households); (6) Set a lower limit on costs not attributable to dwelling use; and (7) Set a lower limit on commercial space. These restrictions have substantially reduced construction costs.

The Department requires competitive bids on projects receiving direct loans of more than $2 million that cannot achieve rent levels below 110 percent of the applicable Section 8 New Construction fair market rents in effect at the time of fund reservation. Sponsors that are labor organizations are exempt from this requirement.

The projects also receive Section 8 program subsidies to enable low-income households to afford the rents in these projects. The projects must be designed to provide a range of necessary services for the occupants. These services include: health, continuing education, welfare, recreation, counseling, referral, transportation to social services, and means to encourage and assist occupants to use these services. Projects also may include essential service facilities such as dining facilities and multipurpose community rooms. The cost of "movables" such as equipment for on-site management offices, lounges, lobbies, and kitchen and related areas are eligible project costs. Such related facilities are restricted to essential services to maintain "Fair Market Rent" limits.

Section 202 funds also are used for nonelderly-handicapped projects. This funding can be used to demonstrate innovative methods to meet the special needs of the nonelderly, handicapped by providing a variety of housing options. These range from small group homes to independent living complexes. This housing must provide for access to the community-at-large, including employment opportunities.

Once loan authority is assigned to the HUD Field Offices, invitations for applications are published. The review of applications focuses on the financial capability of the applicants and their previous experience with housing or related facilities. When sponsors apply, they must show they control a project site. However, sponsors proposing housing primarily for the nonelderly-handicapped need not control a site until after the application is initially selected.

Included in HUD's review of applications is an analysis of the sufficiency of working capital available to finance the organization, planning and completion of project construction and to provide operating reserves during the start-up of projects. This includes one-half of one percent of the loan, not to exceed $10,000. Along with financial resources, applicants must demonstrate that they can successfully manage a project and provide the required special services needed by elderly or handicapped persons. Unused funds may be repaid to the sponsor after the end of the third year of operation once a project is occupied and its successful operation is assured. Additional assistance during the crucial start-up period is available where needed through the Section 106(b) Nonprofit Sponsor Assistance Loan program which makes available interest-free loans to nonprofit sponsors. These "seed money" loans are available to defray some of the start-up costs associated with project planning and are repaid by the sponsor utilizing the initial proceeds of the Section 202 construction loan.

Once a project is approved for both a Section 202 direct loan and Section 8 assistance, the project sponsor can begin construction and funds are paid to the borrower as work is completed.

PROGRAM ACTIVITY

A total of 12,639 unit reservations were made in 1985. The Department expects that 100 units will be reserved in 1986 and no units will be reserved in 1987 due to the proposed cessation of the program. Construction was started on 8,753 units in 1985, which should decrease to 7,600 units in both 1986 and 1987. Completions are estimated at 8,000 units in 1986 and 7,500 units in 1987.

Estimated reservation and construction activities are listed below:

ESTIMATED UNIT RESERVATION AND CONSTRUCTION ACTIVITIES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(In Units)	
Unstarted reservations on hand, start of year	31,934	35,249	26,749
Reservations made during year	12,639	100	...
Subtotal, Reservations	44,573	35,349	26,749
Cancellations during year	-571	-1,000	-1,000
Construction started during year	-8,753	-7,600	-7,600
Unstarted reservations on hand, end of year	35,249	26,749	18,149
Under construction, start of year	20,569	14,239	13,839
Construction started during year	8,753	7,600	7,600
Subtotal, Under construction	29,322	21,839	21,439
Construction completions during year	-15,083	-8,000	-7,500
Under construction, end of year	14,239	13,839	13,939

Housing for the Elderly or Handicapped Program

PROGRAM FINANCING

The Section 202 program is financed by a combination of net fund balances including loan repayments, and borrowings from the U.S. Treasury. Through the end of 1984, $6.4 billion were authorized to be borrowed. The Housing and Urban-Rural Recovery Act of 1983 provided additional authorization to such sums as may be approved in an Appropriation Act on October 1, 1985. A total of $600 million was approved in the HUD-Independent Agencies Appropriation Act, 1985 (P.L. 98-371). An additional $631.0 million was provided in the HUD-Independent Agencies Appropriation Act, 1986 (P.L. 99-160).

The following table reflects the cumulative enacted or requested borrowing authority, and the use of authority through the end of 1987:

STATUS OF BORROWING AUTHORITY

CUMULATIVE ACTIVITY
END OF YEAR:

(Dollars in Thousands)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Total Borrowing Enacted or Requested	$7,000,000	$7,631,033	$7,661,295
Use of borrowing authority..........	-4,801,000	-5,292,660	-5,679,633
Balance of borrowing authority available..........................	2,199,000	2,338,373	1,981,662

Amounts reserved for projects are not actually borrowed from the Treasury until the project reaches the construction stage. Therefore, the total funds borrowed from the Treasury at any time will be substantially less than the total amount of borrowing authority required to finance all loan reservations. It takes approximately 12 to 18 months after funds are reserved before construction starts. The construction period can last approximately 18 to 24 months. During this period, funds are borrowed from the Treasury for construction expenses to the extent that net income resulting from prior year investments and loans is insufficient.

USE WITH OTHER HUD PROGRAMS

The revised Section 202 program is administered in conjunction with the Section 106(b) Nonprofit Sponsor Assistance program and the Section 8 Housing Assistance Payments program. In addition, a Congregate Housing Services demonstration program is being conducted in existing and newly constructed Section 202 projects.

1. Section 106(b) Nonprofit Sponsor Assistance Program. Section 106(b) Nonprofit Sponsor Assistance loans provide a portion of the start-up funds which many nonprofit sponsors lack for such expenses as preliminary surveys and market analyses, preliminary site engineering and architectural fees and site control. These loans are interest-free and may be used to cover the costs of planning or obtaining initial financing for the construction or rehabilitation of Section 202 projects. To ensure the likelihood of financial stability, Section 106(b) loans may not exceed 80 percent of the total eligible start-up costs. Program regulations limit loan approvals to $50,000 each for Section 202 projects. The sponsor must provide at least 20 percent of the start-up costs which are repaid from the initial proceeds of the Section 202 loan. The two programs are used in tandem to provide maximum assistance to nonprofit sponsors. The details of this assistance are discussed in the Nonprofit Sponsor Assistance section of these Justifications.

2. Section 8 Housing Assistance Payments Program. In authorizing the revised Section 202 program, the Housing and Community Development Act of 1974 specifically provided that the program be used in conjunction with the Section 8 program and directed that the availability of Section 8 assistance payments be considered when determining Section 202 project feasibility and marketability. The details of Section 8 assistance are discussed in the Annual Contributions for Assisted Housing Section of these Justifications.

Housing for the Elderly or Handicapped Program

3. Congregate Services Program. A demonstration Congregate Housing Services program has been conducted in existing and newly constructed Section 202 projects. A report evaluating the demonstration has been completed and will be made available to the Congress in 1986. It began in 1980 under the Housing and Community Development Amendments of 1978. The demonstration program included full meal services and those additional support services such as housekeeping, personal assistance or other services deemed essential for temporarily disabled, handicapped elderly, or other handicapped persons to maintain independent living standards and help prevent unnecessary institutionalization. The details of this assistance are discussed in the Congregate Services section of these Justifications.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

NONPROFIT SPONSOR ASSISTANCE PROGRAM
(Section 106(b))

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Loan and other Approvals					
Number of loans	22	10	10	...	-10
Amount (gross)	$464	$500	$500	...	-$500
Federal Credit Limitation					
Enacted	1,880	500	1,000	...	-1,000
Sequestration	...	...	-43	...	+43
Proposed Supplemental Reduction	...	...	-457	...	+457
Total	1,880	500	500	...	-500
Balance Available in Loan Fund, End of Year	5,475	5,748	5,725	$6,575	+850
Budget Outlays (Net)	-236	-427	-280	-332	-52

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No loan limitation is proposed for this program in fiscal year 1987 consistent with the proposed termination of the Section 202 Housing for the Elderly or Handicapped program in fiscal year 1986. A loan limitation of $1.0 million was provided for the Nonprofit Sponsor Assistance program in 1986, of which $43 thousand will be sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) and $457 thousand is proposed for a supplemental reduction. The remaining $500 thousand of the loan limitation will be retained in 1986 to support Section 202 Housing for the Elderly or Handicapped proposals approved in 1985 which are requesting "seed money" loan assistance in 1986. The proposed reduction is consistent with the Administration's deficit reduction policies to effect outlay savings.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

A total of 22 loans (for $464 thousand) were approved in 1985 compared with 45 loans (and $1,880 thousand) projected for 1985 in the 1986 Budget. The 1985 estimate was based on the assumption that 35 percent of the Section 202 sponsors receiving loan reservations also would receive approvals for loans under the Section 106(b) program. As a result of the reduction in new loan approvals and disbursements, net receipts in 1985--$236 thousand--were higher than the previous estimate of $140 thousand.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Appropriation Act included a direct loan limitation of $1 million--a $500 thousand increase over the 1986 Budget request. However, due to the sequestration which is expected to occur pursuant to P.L. 99-177 and the proposed supplemental reduction, this Budget assumes no change from the 1986 Budget request. Based on 1985 experience, estimated loan repayments have been revised downward which results in a decrease in the loan fund balance at the end of the year as well as a decrease in projected receipts.

EXPLANATION OF INCREASES AND DECREASES

Due to the proposed termination of funding for new projects under the Section 202 program in 1986, no new loan approvals are reflected in 1987. Repayments of outstanding loans will continue in 1987. Accordingly, this termination of activity and continuation of repayments of outstanding loans is expected to increase net receipts and the loan fund balance at the end of the year.

Nonprofit Sponsor Assistance

PROGRAM DESCRIPTION

Section 106(b) loans are authorized under the Housing and Urban Development Act of 1968 and provide a portion of the start-up costs which many non-profit sponsors traditionally lack. These loans are interest free and may be used to cover the costs of planning for constructing or rehabilitating housing units assisted under the Section 202 Housing for the Elderly or Handicapped program. Included among the eligible costs are such items as preliminary surveys and market analyses, preliminary site engineering, architectural fees, and expenses related to obtaining site control. Under certain conditions, these loans also may be used for site acquisition.

To ensure the likelihood of financial stability, Section 106(b) limits the amount of the loan to 80 percent of the total eligible start-up costs with the project sponsor providing the other 20 percent. In addition, program regulations limit loan approvals to a maximum of $50,000 for each project. The start-up costs are repaid from the first advance for construction costs under the Section 202 direct loan program.

Under the original legislation, loans were limited to nonprofit sponsors. The Housing and Community Development Act of 1974 amended this provision to permit loans to Public Housing Agencies. Current program regulations, however, limit loan eligibility to private nonprofit sponsors of Section 202 projects.

PROGRAM ACTIVITY

Loan approval activity under this program is contingent on meeting specifications of the Section 202 program and is limited to available revolving account funds. Appropriation language limits the amount of gross approvals which may be made consistent with the Federal Credit Control System. Construction activity on projects assisted with these planning loans is explained in the Section 202 Program Justifications.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Unobligated balance available, start of year..........	$5,163	$5,475	$5,725
Loan repayments..	523	750	850
Recovery of prior year obligations.....................	253	...	...
Total available..	5,939	6,225	6,575
Loans and other approvals (gross)......................	-464	-500	...
Unobligated balance available, end of year............	5,475	5,725	6,575

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Level					
HUD-approved counseling agencies......	610	550	550	550	...
Number of counseling agencies funded in year..............................	205	...	...	...	...
Number of clients counseled (estimate)	35,000	...	...	...	...
Obligations..............................	$3,490	...	...	...	...
Appropriations (Budget Authority):					
Enacted..............................	3,500	...	$3,462	...	-$3,462
Sequestration..............................	...	...	-149	...	+149
Rescission..............................	...	...	-3,313	...	+3,313
Total..............................	3,500	...	...	...	...
Budget Outlays..............................	3,357	$3,500	3,500	$305	-3,195

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the Housing Counseling Assistance program in 1987. The Department also proposes rescission of the 1986 appropriation. However, pursuant to Section 106(a) of the Housing and Urban Development Act of 1968, as amended, the Department will continue to certify and/or recertify local public and private nonprofit agencies that provide HUD-approved housing counseling assistance.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual number of counseling agencies funded in 1985 (205) was lower than the previous estimate of 250, due to an increase in the minimum grant amount available to an agency. Prior to 1985 the minimum allowable grant was $5,000 but this was increased to $10,000 in 1985.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget proposed no funding for the program in 1986. However, the 1986 Appropriation Act included $3.5 million to provide comprehensive housing counseling services. The 1987 Budget proposes a rescission of the 1986 appropriation to effect savings consistent with the Administration's deficit reduction policies. Outlay savings resulting from sequestration and the rescission proposal will occur in 1987 and 1988.

Housing Counseling Assistance

EXPLANATION OF INCREASES AND DECREASES

The decreases in fiscal year 1987 reflect the proposed termination of funding. Counseling is an eligible activity under the Community Development Block Grant program. The 1987 outlay savings resulting from sequestration and the rescission proposal are estimated at $82 thousand and $3.1 million, respectively. The balance of the savings will occur in 1988.

PROGRAM DESCRIPTION

Section 106(a)(1)(iii) and Section 106(a)(2) of the Housing and Urban Development Act of 1968, as amended, authorize a program to provide a broad range of counseling services to tenants and homeowners. Based on Section 106(a), the Department certifies and/or recertifies local public and private nonprofit agencies which provide HUD-approved counseling assistance. The Secretary is authorized to provide and/or contract with public or private organizations to provide information, advice, and technical assistance. This may include counseling and advice to tenants and homeowners concerning property maintenance, financial management and other appropriate matters to assist them in improving their housing conditions and in meeting their homeownership responsibilities.

Local public and private nonprofit agencies apply to HUD to become approved counseling agencies. Organizations which receive grants use these funds to provide comprehensive housing counseling services including default counseling for homeowners, prepurchase counseling for prospective homeowners and preoccupancy, delinquency and displacement counseling for renters.

There have been a number of studies to determine if housing counseling is an effective and cost efficient method to reduce defaults and foreclosures of HUD-insured and/or subsidized single-family mortgages. Those studies have proven inconclusive when analyzed collectively.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

CONGREGATE SERVICES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Budget Authority					
Appropriation..........................	$4,144	...	$2,670	...	-$2,670
Sequestration..........................	...	...	-115	...	+115
Proposed rescission....................	...	...	-2,555	...	+2,555
Total..................................	4,144	...	...	...	...
Obligations............................	1,728	...	2,890	...	-2,890
Budget Outlays.........................	4,647	$5,500	5,900	$5,300	-600

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the Congregate Housing Services program (CHSP) for 1987. The Budget proposes a 1986 rescission of $2,555 thousand in budget authority. This, together with a reduction of $115 thousand of budget authority due to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), represent the $2,670 thousand which was provided in the 1986 Appropriations Act and are proposed in order to reduce outlays consistent with the Administration's and the Congress' deficit reduction policies.

During 1986, approximately $2.9 million of unobligated balances carried forward from 1985 will be used to extend for 8 months, 24 contracts which would have otherwise expired.

The final evaluation report for this demonstration program has been completed and is expected to be forwarded to the Congress this year.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Obligations totaled $1,728 thousand in 1985 compared with the $4,681 thousand estimated in the 1986 Budget. This decrease was due to the fact that contract extensions occurred later in the year than anticipated. Actual outlays totaled $4,647 thousand compared with an estimated $10,000 thousand due in part to the lower level of obligations and an overestimate of the rate of disbursement during the year.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget proposed no funding for the program. However, the 1986 Appropriation Act included $2,670 thousand to extend grants which would otherwise expire in 1986. Unobligated balances of approximately $2.9 million will be used in 1986 to extend the contracts. A total of $115 thousand of the appropriated amount is being sequestered and the remaining $2,555 thousand is proposed for rescission. The following table indicates the number of contracts currently in force and the anticipated pattern of contract expiration in 1986-1988:

STATUS OF CONGREGATE SERVICES CONTRACTS

	FISCAL YEAR		
	1986	1987	1988
Contracts in force, start of year......	62	62	8
Expirations in year....................	-24	-54	-8
Contract extensions in year............	+24	...	...
Contracts in force, end of year........	62	8	...

Congregate Services Program

EXPLANATION OF INCREASES AND DECREASES

No appropriation is being proposed for 1987. The decrease in outlays of $600 thousand in 1987 is based on the 1986 sequestration and rescission proposal which would result in no new obligations during 1987.

PROGRAM DESCRIPTION

The Congregate Housing Services program was authorized by the Housing and Community Development Amendments of 1978 to provide three- to five-year contracts to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Handicapped projects. The program promotes and encourages handicapped elderly, non-elderly handicapped, or temporarily disabled individuals to maintain maximum independence within a home environment. The intent was to avoid costly and premature or unnecessary institutionalization of individuals which would result in reducing government outlays for institutional care.

This demonstration program, that began in 1980, was conducted to test the provision of congregate housing services by the Department of Housing and Urban Development. Funds appropriated for fiscal years 1979, 1980, 1983, and 1985 are being used for this program. The demonstration included two full meals seven days a week and other support services such as housekeeping, personal assistance or other services deemed essential for eligible individuals to maintain semi-assisted independent living. Services provided are limited to areas where similar services are not available.

Eligibility within a project is determined by a committee of at least three persons, including at least one medical professional and other persons professionally competent to judge the functional abilities of elderly or permanently disabled adults in relation to their ability to perform daily living tasks. Proposals are rated on factors such as demonstrated need, management capability and the use of Congregate Services funds in tandem with the funding of other service programs.

PROGRAM ACTIVITY

The Congregate Housing Services demonstration program became operational in 1980. The program has been operated in three phases. Phase one provided for three-year contracts using $10 million of 1979 appropriated funds. Phase two consisted of five-year contracts using $10 million of 1980 appropriated funds. A total of $4 million was appropriated in 1983 for the third phase of the CHSP. Of the monies appropriated in 1983, $3.5 million was utilized for the renewal of existing contracts under the CHSP and the remaining $500 thousand was used to conduct a rural demonstration program which was begun in the fourth quarter of 1983. An additional $4.1 million was appropriated in 1985 to extend contracts that would have expired in 1985 for 18 months. Unobligated balances of approximately $2.9 million carried forward into 1986 will be used to extend for 8 months 24 contracts which would otherwise expire in 1986.

Of the 62 projects currently participating in the program, 54 project contracts, including the 24 extended in 1986, are scheduled to expire in 1987 and the remaining 8 contracts will expire in 1988.

During phase one, grants were awarded to 37 Public Housing and Section 202 projects. Of these, 29 existing and 8 new construction projects now provide services such as meals, personal assistance, housekeeping and other services to approximately 1,200 project residents. The fund reservation for the one non-operational project was cancelled in 1984.

During phase two, 26 existing Public Housing and Section 202 projects were selected and announced. Services are now being provided to 24 projects for about 800 residents. Two funded projects were terminated from the CHSP at the sponsors request, one in 1983 and one in 1984.

The phase three selectees for four rural demonstration projects were announced in September 1983. However, one of the selectees elected not to participate in the program.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

COMMUNITY DISPOSITION

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Program Level					
Repayment of Investment to Treasury:					
In Year................................	$250	$200	$450	$150	-$300
Cumulative.............................	86,390	86,840	86,840	86,990	+150
Budget Outlays........................	-200	-144	-149	-119	+30

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for the Community Disposal Operations Fund. Expenses of the Fund are financed from income.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Net receipts from 1985 ($200 thousand) slightly exceeded the prior estimate of $159 thousand in net receipts. This occurred due to the unanticipated prepayment of a portfolio mortgage. The actual repayment of Investment to Treasury represents a $250 thousand reduction from the estimate in the 1986 Budget. This reflects a delay in the transfer of excess funds to the Treasury. That transfer, which amounted to $250 thousand, did not occur and now is reflected in the 1986 current estimates.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The proposed repayment of Investment to Treasury has been increased to $450 thousand and the outlay (net receipts) estimate has been increased to $149 thousand.

EXPLANATION OF INCREASES AND DECREASES

A dividend of $250 thousand was declared for 1985 producing a cumulative repayment of investment to the Treasury of $86,390 thousand. The Department expects that repayments of $450 thousand in 1986 and $150 thousand in 1987 will result in a cumulative total of $86,990 thousand of excess funds transferred to the Treasury by September 30, 1987. During 1985, 3 mortgages were paid in full and repayments are expected to continue through 1987. As the inventory of outstanding mortgages is reduced, the amount of principal repaid and interest earned decreases. Net receipts, therefore, are expected to decline accordingly by approximately $30 thousand between 1986 and 1987.

PROGRAM DESCRIPTION

The Community Disposition program was established by the Atomic Energy Community Act of 1955 to dispose of federally-owned properties in Oak Ridge, Tennessee; Richland, Washington; and, by amendment in 1973, Los Alamos, New Mexico. All sales under the program have been completed and continuing Community Disposition program operations only involve servicing and liquidation of the mortgage portfolio which was acquired from the sale of Atomic Energy Commission properties.

The proceeds of monthly mortgage payments of principal and interest are credited to the Community Disposal Operations Fund. Any amounts in excess of the annual requirements for necessary expenses are transferred to the Treasury.

Community Disposition

PROGRAM ACTIVITY

The status of the Community Disposal Operations Fund for each fiscal year follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Source of Funds			
Unobligated balance, start of year	$437	$374	$73
Other Income:			
Loan and mortgage repayments	153	125	100
Interest and other income	34	25	20
Total, Source of Funds	187	150	120
Application of Funds			
Capital transfer to Treasury	-250	-450	-150
Loan and property expenses	...	-1	-1
Total, Application of Funds	-250	-451	-151
Unobligated balance, end of year	374	73	42

As of September 30, 1985, all Oak Ridge mortgages had been paid in full and the Fund had approximately $374 thousand of working capital. The mortgage portfolio was comprised as follows:

LOCATION	NUMBER OF MORTGAGES	ORIGINAL MORTGAGE AMOUNT	UNPAID PRINCIPAL BALANCE
		(Dollars in Thousands)	
Richland, Washington	1	$36	$10
Los Alamos, New Mexico	241	2,281	455
Total	242	2,317	465

During 1985, the principal on 3 mortgages was paid in full. Unless prepaid before the maturity dates, the remaining Richland mortgage will mature by the end of 1992 and the Los Alamos mortgages by 1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MANUFACTURED HOME INSPECTION AND MONITORING PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Levels:					
State Plans approved...............	35	35	35	35	...
Manufactured Homes produced........	284,236	300,000	290,000	290,000	...
Transportable units produced.......	380,458	372,000	377,000	377,000	...
Budget Authority					
Permanent, indefinite appropriation	$5,335	$5,952	$6,032	$6,032	...
Obligations.........................	5,926	6,807	6,375 a/	7,107	+$732
Budget Outlays......................	6,155	6,807	6,387	7,095	+708

a/ $259 thousand of fees collected in 1986 are being sequestered and will not be available for use in 1986.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for this program. A permanent, indefinite appropriation is available for the Manufactured Home Inspection and Monitoring program based on the fees collected from manufactured home producers.

HUD changed the fee collection method in late 1985. A $16 fee is charged for each transportable unit (section) of each manufactured home produced, rather than the previous $19 fee for each manufactured home produced. (A single-wide manufactured home is comprised of one transportable unit, whereas a double-wide home is comprised of two transportable units.) Therefore, single-width units are charged $16 instead of $19 and double-width units are charged $32 instead of $19. HUD estimates that about 29 percent of the homes produced will be double-width.

For 1987, HUD estimates that approximately $6.0 million will be collected from the 290,000 manufactured homes or 377,000 transportable units. These funds will be used to cover the costs of inspecting and monitoring the manufacturers quality control procedures and to help defray the States' costs of investigating purchaser complaints.

During 1986, funds will be transferred to the "Salaries and Expenses" account to pay a portion ($1,057 thousand) of the program's direct administrative costs. Currently, these costs are limited under the authorizing legislation to inspection-related activities only. The Department is proposing legislation for fiscal year 1987 which would permit use of fee income to cover all direct administrative costs associated with the program, including the costs of developing construction standards. Assuming passage of the proposed legislation, the transfer to Salaries and Expenses would increase by an estimated $377 thousand in 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

A total of 284,236 manufactured homes were produced in fiscal year 1985 which was slightly less than the 1985 estimate of 290,000. The actual number of transportable units was 380,458 which was more than the 359,600 unit estimate and reflects industry production decisions on the number of double-width homes to be produced.

Manufactured Home Inspection and Monitoring Program

Budget authority (fees collected) totaled $5,335 thousand compared with the estimate of $5,791 thousand reflecting the lower number of homes produced. While the 1986 Budget assumed fee collections in 1985 would be on the basis of a new fee structure, tied to transportable units, the new fee structure was not implemented until very late in fiscal year 1985. This meant that 1985 collections were essentially a function of the number of homes produced, not transportable units.

Obligations of $5,926 thousand were less than the $6,477 thousand estimated. In addition, outlays of $6,155 thousand were below the estimate of $6,675 thousand. The 1986 Budget had assumed that all obligated and unobligated balances carried over from 1984, along with all 1985 fee receipts, would be obligated and disbursed in 1985. However, this did not occur and undisbursed balances remained at the end of 1985. The current 1986 and 1987 estimates assume a gradual use of unobligated balances. Also, the Budget outlay estimate assumed disbursement of $198 thousand under the Mobile Home Standards program which did not occur (these funds are scheduled to be deobligated in 1986).

3. CHANGES FROM 1986 BUDGET ESTIMATES

The current estimate of transportable units to be produced in 1986 has been increased because the percentage of double-width units is expected to increase from the 24 percent assumed in the 1986 Budget to 29 percent. The current estimate of budget authority reflects an increase compared with the prior estimate due to increased production. The current estimates of obligations and outlays are lower than previously estimated because legislation was not enacted to allow the use of fee income to cover the costs of the "construction standards" staff. The obligation and outlay estimates also reflect reductions pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). The outlay savings resulting from the sequestered funds are $247 thousand in 1986 and $12 thousand in 1987.

EXPLANATION OF INCREASES AND DECREASES

The current rate of manufactured homes and transportable units to be produced in 1986 is expected to continue through 1987. The 1987 obligation and outlay estimates are projected to increase as a result of additional program costs, as well as the inclusion of expenses for construction standards staff.

PROGRAM DESCRIPTION

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Housing and Community Development Amendments of 1979, and the Housing and Community Development Act of 1980, authorize the Manufactured Home Inspection and Monitoring Program. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home construction and safety standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including the need for quality, durability, and safety. The initial Construction and Safety Standards Act took effect June 15, 1976. All manufactured homes produced since then must comply with Federal manufactured home construction and safety standards.

A fee is charged to the producers to cover the cost of inspections required under the Act. In 1980, a permanent, indefinite appropriation account was established for depositing the fees. Since the start of the program, HUD's contract agent, the National Conference of States on Building Codes and Standards (NCSBCS), has monitored the performance of various inspection agencies approved under the program.

Activities authorized by the Act include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety. The Act defines a manufactured home as a transportable structure that has plumbing, heating, air conditioning and electrical systems and which in the "traveling mode" is eight feet or more in width or forty feet or more in length, or when erected, is 320 or more square feet.

2. National Manufactured Home Advisory Council. Section 605 of the Housing and Community Development Act of 1974 created a 24-member Advisory Council which consults with the Secretary on manufactured home construction and safety standards. This Council meets as necessary to review and comment on the issuance and/or modification of proposed standards. Costs associated with these meetings are considered Advisory Committee expenses and are classified as consultant services which are in the Budget estimates for "Salaries and Expenses" shown in that section of these Justifications.

3. Enforcement of Standards. The HUD staff required to monitor this program are funded from fee collections which are transferred to the appropriation "Salaries and Expenses". Enforcement of regulations covering the design and construction of manufactured homes is accomplished mainly by third-party primary inspection agencies. These agencies are approved by HUD and their performance is monitored by HUD and/or an agent of HUD. HUD has the overall responsibility to ensure that its contract agents and primary inspection agents perform properly. Some primary inspection agents are private while others are State agencies.

Enforcement of regulations concerning manufacturers' responsibilities for providing remedial actions in response to consumer complaints and/or in response to manufacturers who discover certain flaws in units they have produced is accomplished primarily by State agencies under HUD-approved enforcement plans. Performance by approved State agencies is monitored directly by HUD staff. The inspection fees charged manufacturers are used to support the cost of assuring that inspection agencies adequately enforce the Federal standards.

The Department encourages State agencies to participate in enforcing the program. Under the Act, State agencies are authorized to carry out the enforcement responsibilities of the Act provided that they demonstrate their willingness and capacity to assure effective compliance within their jurisdictions. State compliance plans are required to be reviewed by the Department, and the Secretary is required to report to the Congress on the effectiveness of State enforcement programs.

4. Noncompliance with Standards. Title VI of the 1974 Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is also required to issue a certification that each unit built meets the Federal standards in effect at the time of production. If the Department determines that any manufactured home does not comply with standards established pursuant to the Act or contains a defect constituting a significant safety hazard, it is authorized to require the producer to notify the purchaser of the manufactured home of the defect. In certain cases, HUD may require repair, replacement or refund of the price of the defective unit(s).

The Act also provides the Secretary with broad enforcement powers to assure compliance with the Federal standards, including the right to subpoena witnesses and to carry out on-site inspections of manufactured home production facilities. Criminal and civil penalties are provided for certain violations of the Act.

PROGRAM ACTIVITY

Currently, 35 States have had their State Administrative Agencies approved for participation in the program. Also, thirty Primary Inspection Agencies (14 private and 16 State) are approved as qualified to serve as a Design Approval Primary Inspection Agency and/or Production Inspection Primary Inspection Agency.

In addition to inspection activities supported directly by fee income, the Department has sponsored research, as needed, relating to manufactured home construction and safety standards which is funded from the Department's Research and Technology appropriation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

INTERSTATE LAND SALES REGISTRATION

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Program Level					
Number of Filing Actions.........	2,219	1,800	1,800	1,800	...
Budget Authority					
Fees (Permanent, Indefinite Appropriation)..................	$574	$1,345	$800	$1,400	+$600
Budget Outlays......................	569	1,345	778 a/	1,400	+622

a/ Reflects a $34 thousand sequestration of unobligated funds and the concomitant reduction of outlays pursuant to P. L. 99-177.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation action is required for this program. A permanent, indefinite appropriation is available based on the fees collected from land developers.

Under the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended), the Department currently is authorized to charge a fee, of up to $1,000, to a land developer to offset the direct administrative costs associated with the program. Fees collected for registration are transferred to the Department's "Salaries and Expenses" account. During 1985, the Department revised its fee schedule to provide additional fee income in order to meet, to the maximum extent possible, the full cost of direct program administration.

To help assure the collection of sufficient income, the Department proposes legislation to remove the $1,000 limitation in 1987 on the fee which may be charged to a developer. The Department will also revise its fee schedule to provide additional fee income so as to meet the full cost of direct program administration.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual number of filings (2,219) were higher than the estimate (1,800) because of the implementation during 1985 of new reporting requirements for land developers which necessitated a number of developers filing amendments to registration statements. Actual budget authority ($574 thousand) was less than the estimate ($1,200 thousand) because of the high number of developers who were exempted from paying fees under the revised reporting requirements and the unexpected increase in the number of developers who chose to suspend sales in their subdivisions.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 budget authority (fee collections) and outlay estimates have been revised downward, as a result of 1985 experience with the revised fee schedule, which had less of an impact on fee collections than anticipated. While 1985 fee collections were the highest in eleven years (since 1974), they were considerably below the $1.2 million estimate.

Interstate Land Sales Registration

EXPLANATION OF INCREASES AND DECREASES

An increase of $600 thousand in budget authority and the corresponding increase in outlays are the result of the proposal to eliminate the $1,000 limitation which can be charged to a developer and the plan to revise the fee schedule. It is expected that the combination of these actions would result in sufficient income to cover the full cost of direct program administration.

PROGRAM DESCRIPTION

The Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended) authorizes a nationwide program of registration of subdivisions marketed in interstate commerce. The Act generally applies, by law and administrative regulation, to subdivisions of undeveloped land sold or offered for sale or lease through any facilities of interstate commerce. Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser a copy of an effective Property Report before signing a purchase or lease contract.

The Act provides for submission of a Statement of Record describing a proposed subdivision in detail, accompanied by maps, contract documents and certifications designed to fully disclose relevant information about the subdivision. Each prospective purchaser must be furnished a Property Report which sets forth the disclosure in easy to understand terms. The program concentrates on securing full disclosure of pertinent facts through the registration process and bringing enforcement action in the event of abuses.

The Housing and Community Development Amendments of 1979 created additional exemptions for smaller volume developers and those selling only to in-State residents. Other exemptions formerly available were eliminated to correct abuse found by HUD since the inception of the Act. These amendments also extended the "cooling off" period following purchase to seven days and increased the statute of limitation for purchasers to file suit against developers to three years after a fraudulent action, misstatement or omission.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justification. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" had been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 1: HOUSING PROGRAMS

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Total Budget Activity.................	$198,243	$183,814	$200,182	$196,378	-$3,804
Full-Time Permanent Appointments, End of Year............................	4,675	4,669	4,902	4,724	-178
Full-Time Equivalents....................	4,983.0	4,725.2	5,092.4	4,848.9	243.5
Staff-Years................................	5,101.4	4,796.8	5,169.3	4,933.0	-236.3

SUMMARY OF BUDGET REQUEST

The 1987 request is for $196,378 thousand and 4,724 positions, which represent decreases of $3,804 thousand and 178 positions when compared to 1986.

The reduction of $3,804 thousand is the net effect of a reduction of $5,029 thousand in personal services costs consistent with the staff reduction, partially offset by an increase of $1,225 thousand for automated data processing services support costs. The reduction of 178 positions, all in the field, is the net effect of workload changes, predominately the reductions as a result of proposed legislative changes in the FHA single-family insurance program.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services...........................	$173,408	$156,282	$176,299	$171,270	+$5,029
Travel and Transportation of Persons......	3,833	3,855	4,353	4,124	-229
Transportation of Things...................	253	269	292	292	...
Rent, Communications and Utilities........	3,422	3,646	3,672	3,816	+144
Printing and Reproduction..................	2,902	2,133	2,478	3,031	+553
Other Services.............................	12,310	14,632	10,921	11,573	+652
ADP Services............................	(9,573)	(11,805)	(7,468)	(8,979)	(+1,511)
Contracts..................................	(289)	(470)	(341)	(306)	(-35)
Supplies and Materials.....................	1,226	1,519	1,306	1,480	+174
Furniture and Equipment....................	874	1,445	828	759	-69
Insurance and Indemnities..................	15	33	33	33	...
Total Obligations.........................	198,243	183,814	200,182	196,378	-3,804

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations were $198,243 thousand, or $4,093 thousand less than the previous estimate of $202,336 thousand. The reduced funding includes $811 thousand of personal service costs due principally to a lower than anticipated average salary. The balance, $3,282 thousand, reflects lower than estimated funding requirements in most support areas; principally automated data processing services ($1,680 thousand), equipment procurement ($703 thousand), communications ($381 thousand) and supplies ($354 thousand).

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$183,814
Add amendment to restore proposed five percent pay reduction	+7,144
Add amendment for additional staff	+9,200
Add action by the Congress on the 1986 request for "Salaries and Expenses"	+11,139
Deduct cost of functional transfer	-92
Deduct effect of general repricing	-214
Deduct mandated funding reduction	-10,809
Current 1986 estimate	200,182

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal Employees, as initially proposed, requires an increase of $7,144 thousands;

-- budget amendment requesting an additional $9.2 million and 261 staff-years to process significant increases in single-family mortgage insurance applications was submitted subsequent to the initial request;

-- the addition by the Congress of 308 staff-years in support of higher program levels than requested in the Budget requiring, an increase of $11,139 thousand;

-- the transfer of two positions to the Public and Indian Housing organization consistent with the transfer of responsibility for the Section 23 Leased Housing Program;

-- an assessment of funding needs based on more recent cost and requirements data resulting in a net reduction of $214 thousand; and

-- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) is $10,809 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$198,243	$200,182
Changes to terminal leave and severance pay	-558	+430
Changes to personal services costs due to changes in average employment	+2,308	-8,835
Changes to average personal services costs	+1,141	+3,376
Changes to support costs	-952	+1,225
Total obligations	200,182	196,378

There is a net increase of $2,956 thousand for personal services costs in 1986 and a net deease of $5,029 thousand in 1987. The changes are due to:

-- changes to terminal leave and severance pay result in a reduction of $558 thousand in 1986 and an increase of $430 thousand in 1987;

-- increased staff-years in 1986 require an additional $2,308 thousand and a staff-year reduction in 1987 reduces the funding requirement $8,835 thousand; and

-- changes to average salary and benefits costs result in increases of $1,141 thousand in 1986 and $3,376 thousand in 1987.

Net changes in non-personal services costs such as travel, printing, automated data processing services, supplies, etc., result in a reduction of $952 thousand in 1986 and an increase of $1,225 thousand in 1987. In both instances, the principal change is for automated data processing services.

4. CONTRACTS

The three new sub-objects for contracts are: Technical Services, Data and Statistical Services, and Training Contracts Non-Federal. The following table identifies the costs for each of those categories and is followed by a brief description of the specific contracts included.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Technical Services..........................	$122	$50	$91	$56	-35
Data and Statistical Services..............	...	270	100	100	...
Training Contracts-Non-Federal............	167	150	150	150	...
Total..................................	289	470	341	306	-35

a. Technical Services... $56 Thousand

(1) Manufactured Homes Annual Ad Hoc Enforcement Testing............... ($50 Thousand)

These funds are required to continue contractual services to conduct tests in connection with Manufactured Home Safety enforcement actions. Anticipated recall actions involving large numbers of manufactured homes require special testing of manufactured home components to establish a basis for taking legal action against manufacturers who fail to correct defects. These tests determine conformance of such components as gas valves, circuit breakers, furnace flues, glass doors, egress windows, roof trusses, and large sections of manufactured homes that have resulted in discomfort, injury, or death to occupants. In addition, the tests enable the Department to enforce the requirements of the National Manufactured Home Construction and Safety Standards Act if components are certified falsely.

(2) Econometric Models.. ($6 Thousand)

These funds are needed to continue contractual services to maintain access to up-to-date and comprehensive data sources for studies and reports on the mortgage and capital markets. The data is used in such recurring reports as 1) the availability of funds for housing, 2) tax-exempt sources of mortgage credit, 3) the contribution of the Federal and federally sponsored credit agencies in the mortgage market, and 4) the secondary mortgage market.

b. Data and Statistical Services.. $100 Thousand

Manufactured Homes Annual Data Collection and Consumer Survey

These funds are provided by transfer from the Manufactured Home Inspection and Monitoring program to continue contractual services to collect necessary data and consumer information required to make improvements in manufactured home standards. The National Manufactured Housing Construction and Safety Act requires the Department to collect data in support of the proposed improvements for the safety and durability of manufactured homes. The contractual services enable the Department to fulfill its obligation under the Manufactured Housing Act to provide a Biennial Report to Congress on the quality of manufactured homes. This contract also enables the Department to obtain data in order to upgrade the Federal standards for manufactured homes by eliminating standards which do not enhance the safety, durability, and liveability of manufactured homes and add standards where data show that problems exist.

c. Training Contracts - Non-Federal.................................... $130 Thousand

Public Housing Agencies Training for Section 8 Existing Program

These funds are required to continue contractual assistance to prepare a technical assistance program covering six critical elements required to implement the Section 8 Existing Housing program which will be delivered directly to Public Housing Agencies (PHAs). This technical assistance is being undertaken in FY 1986 in response to General Accounting Office (GAO) findings of fraud, waste, and mismanagement in the Section 8 Existing Housing program.

A substantial number of households currently are being assisted under the Section 8 Existing program. There currently are more than 2,000 PHAs administering Section 8 Existing Housing programs for some 800,000 families and elderly households. In addition, the Section 8 Existing Housing program is being modified and replaced by a Housing Voucher Program and the number of households assisted will continue to grow. Therefore, it is essential that the PHAs administering the program receive adequate technical assistance. This technical assistance will cover general PHA administration and program control with particular emphasis on the following critical areas:

a. applicant eligibility and selection;
b. applicant income verification and determination of the gross family contribution;
c. determination of contract rents and housing assistance payments;
d. determination of rent reasonableness and correlation of contract rents and housing quality standards;
e. PHA use of exception rents and supporting justification;
f. PHA financial controls to assure that housing payments are consistent with contracts for occupied units; and
g. PHA quality controls.

While this training effort is devoted to the Section 8 Existing Housing program, other Department programs will also benefit. For example, many elements which will be discussed in the training program have applicability to the Public Housing program. Furthermore, most items will also apply to the Housing Voucher program.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Housing staff is responsible for performing functions pursuant to legislation which authorizes the Department to enter into contracts for the development and operation of projects for occupancy by very low-income, low-income, and moderate-income households; to provide direct loans to nonprofit sponsors for the development of housing for the elderly or handicapped; and to underwrite mortgage or loan insurance to finance new construction, rehabilitation, or the purchase of existing dwelling units; and to conduct several regulatory functions.

The principal legislative authorizations for the listed activities are:

— the U.S. Housing Act of 1937, as amended, which authorizes assistance to lower-income or moderate-income households under Sections 8 and 17 of the Act;

— the National Housing Act, as amended, which authorizes the provision of mortgage or loan insurance for single-family and multifamily housing and other related facilities such as nursing homes and manufactured home courts and the provisions of interest reduction payments for the Section 235 Homeownership Assistance program and the Section 236 Rental Housing Assistance program;

— Section 201 of the Housing and Community Development Amendments of 1978, authorizing assistance to restore or maintain the financial soundness, to improve the management and to maintain the low- to moderate-income character of certain assisted projects;

— Section 202 of the Housing Act of 1959, as amended, which authorizes direct loans for the development of housing exclusively for the elderly or handicapped;

— Title IV of the Housing and Community Development Amendments of 1978, authorizing the Congregate Housing Services program;

- Section 101 of the Housing and Urban Development Act of 1965, as amended, which authorized rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing;

- the Interstate Land Sales Full Disclosure Act, Title XIV of P.L. 90-488, as amended, which requires developers of subdivisions to file registration statements with the Secretary where mail or interstate commerce is involved;

- the National Manufactured Home Construction and Safety Standards Act of 1974, Title VI of P.L. 93-863, which authorizes HUD to develop and enforce construction and safety standards for all manufactured homes sold in the United States;

- the Real Estate Settlement Procedure Act of 1974, P.L. 93-353, as amended, which authorizes the regulating of certain lending practices and settlement and closing procedures in Federally-related mortgage transactions to eliminate unnecessary costs and to minimize difficulties of settlement; and

- the Lead-Based Paint Poisoning Prevention Act of 1971, as amended, which authorizes: (1) the establishment of procedures to eliminate the hazards of lead-based paint in any existing house which is covered by an application for mortgage insurance or housing assistance payment, and (2) procedures to eliminate the hazards of lead-based paint poisoning in all Federally-owned properties prior to sale when their intended use is residential.

The principal functions conducted by Housing staff are as follows:

- performing preapplication and other review activities through to construction completion, execution and closing of contracts and mortgages;

- performing physical inspections of projects or units constructed, rehabilitated or insured under Departmental programs;

- developing underwriting standards, making actuarial determinations, and establishing fees and premiums for mortgage insurance for homes and projects and other financial and related assistance authorized by the National Housing Act;

- participating in the analysis, review, and evaluation of HUD-insured and/or Section 8, and other multifamily projects during the construction and occupancy stages;

- developing new instructions and issuances and revising existing issuances such as Fair Market Rents (FMRs) and Annual Adjustment Factors for the Section 8 program;

- reviewing and monitoring multifamily projects and the Section 8 projects to ensure that appropriate management activities are conducted and resources are used in accordance with approved plans and agreements;

- reviewing and monitoring State Agency administration of Federal housing programs;

- conducting periodic management reviews of the Section 8 Existing Housing and Moderate Rehabilitation programs covering such areas as: (1) income recertifications, (2) occupancy audits, (3) financial reviews, (4) engineering surveys, (5) maintenance inspections, (6) administrative practices, and (7) rent determinations;

- servicing HUD-insured and HUD-held mortgages for home and multifamily mortgage insurance programs, negotiating forbearance agreements, handling assignments of mortgages, providing assistance under the terms of the Troubled Projects (Flexible Subsidy) program, performing liquidation and collection functions under Title I of the National Housing Act, and managing the Housing for the Elderly or Handicapped Loan program;

- performing property disposition activities which include supervision of Area and Management Brokers, rehabilitation of acquired properties, management of the property inventory and sale of HUD-owned properties;

-- servicing the mortgages of the Community Disposition program covered under the Atomic Energy Community Act of 1955, as amended;

-- examining registration statements and other required material from developers of subdivisions involved in interstate commerce to determine their formal and legal adequacy and issuing exemption orders and advisory opinions;

-- developing and enforcing construction and safety standards for all manufactured homes; and

-- certifying or recertifying housing counseling agencies.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs
2. WORKLOAD

Field staff requirements are related primarily to the development and management activities for the various Housing programs which are listed on the previous pages. A summary of the key workload indicators for Housing Programs follows:

SUMMARY OF SELECTED WORKLOAD INDICATORS

WORKLOAD INDICATOR	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
DEVELOPMENT ACTIVITIES:			
Section 8 Program in Year (units)			
Reservations	117,850a/	66,714a/	62,500a/
Starts	9,238	10,000	10,000
Completions	100,861	117,000	120,000
Section 202 Program in Year (units) b/			
Reservations	12,639	100	...
Starts	8,753	7,600	7,600
Completions	15,083	8,000	7,500
Mortgage Insurance Applications in Year (units)			
Home Mortgages	866,294	900,000	625,500
Multifamily Mortgages	83,792	83,800	83,800
Section 235 Program in Year (units)			
Reservations	4,586	150	...
Completions (Insurance Endorsements)	1,031	5,205	...
MANAGEMENT ACTIVITIES:			
Section 8 Program, End of Year			
Projects under management	29,188	30,826	32,565
Units under management	2,010,306	2,127,000	2,247,000
Loan/Mortgage Management Activities			
HUD-Insured Mortgages, End of Year			
Home Mortgages	5,378,758	5,693,158	5,892,614
Multifamily Mortgages	16,637	16,394	16,145
HUD-Subsidized Units Eligible for Payment, End of Year			
Section 235 Homeownership Assistance	200,471	193,000	182,000
Section 236 Rental Housing Assistance	527,978	527,000	526,000
Rent Supplement	45,611	29,000	29,000
HUD-Assigned Mortgages, End of Year c/			
Homes:			
Mortgages	37,101	40,115	40,077
Units	37,238	40,252	40,214
Multifamily:			
Mortgages	1,171	1,114	860
Units	161,227	153,697	119,103
Loan Portfolio, End of Year			
Section 202 Housing for the Elderly or Handicapped:			
Loans outstanding	2,620	2,765	2,901
Units	170,288	178,288	185,788
Title I Home Improvement and Manufactured Homes:			
Loans in collection	58,196	57,200	56,000

a/ Includes 38,142 Housing Vouchers in 1985, 53,500 Vouchers in 1986 and 53,500 Vouchers in 1987.

b/ Data also included under the Section 8 Housing Assistance Program.

c/ Excludes Purchase-Money Mortgages.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

SUMMARY OF SELECTED WORKLOAD INDICATORS (cont.)

WORKLOAD INDICATOR	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Property Disposition Activities			
Direct Acquisitions and Mortgage Conversions in Year			
Homes:			
Properties	44,123	43,177	38,656
Units	45,439	43,177	38,656
Multifamily:			
Projects	49	60	61
Units	5,769	7,800	7,930
Sales in Year			
Homes:			
Properties	37,782	45,500	42,000
Units	38,035	45,500	42,000
Multifamily:			
Projects	66	74	60
Units	4,958	11,702	7,852
Inventory on Hand, End of Year			
Homes:			
Properties	26,390	24,067	20,723
Units	27,485	25,162	21,818
Multifamily:			
Projects	95	57	58
Units	14,388	4,665 a/	4,743

a/ Reflects a technical adjustment decreasing inventory by 24 projects and 5,821 units.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters..............................	504	504	502	502	...
Field..............................	4,171	4,165	4,400	4,222	-179
Total..............................	4,675	4,669	4,902	4,724	-178

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters..............................	527.8	515.8	491.2	514.6	+23.4
Field..............................	4,573.6	4,281.0	4,678.1	4,418.4	-259.7
Total..............................	5,101.4	4,796.8	5,169.3	4,933.0	-236.3

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	4,725.9	4,957.1	4,713.6
Temporary and Part-Time Employees	271.4	144.8	144.8
Overtime	67.6	42.6	42.6
Terminal Leave	36.5	24.8	32.0
Total Staff-Years	5,101.4	5,169.3	4,933.0

A description of the last three categories of employment is included under the discussion for the appropriation, "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment; and special programs which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following table indicates the distribution of full-time permanent appointments and staff-years at Headquarters.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

1. HEADQUARTERS EMPLOYMENT

OFFICE	FULL-TIME PERMANENT APPOINTMENTS ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Assistant Secretary	15	18	18	18	...
Policy, Financial Management and Administration:					
Deputy Assistant Secretary	6	5	5	5	...
Policy Development	12	13	13	13	...
Financial Management	44	45	44	44	...
Management	75	72	72	72	...
Subtotal	137	135	134	134	...
Single Family Housing:					
Deputy Assistant Secretary	8	9	9	9	...
Lender Activities and Land Sales Registration	56	60	60	60	...
Single-Family Housing	65	65	65	65	...
Manufactured Housing and Regulatory Functions	61	54	54	54	...
Subtotal	190	188	188	188	...
Multifamily Housing Programs:					
Deputy Assistant Secretary	10	10	10	10	...
Multifamily Housing Development	45	43	43	43	...
Multifamily Housing Management	69	72	71	71	...
Elderly and Assisted Housing	38	38	38	38	...
Subtotal	162	163	162	162	...
Total Full-Time Permanent Appointments, End of Year	504	504	502	502	...
	STAFF-YEARS				
Total Staff-Years	527.8	515.8	491.2	514.6	+23.4

The FY 1986 current estimate represents a decrease of two positions from the prior FY 1986 budget estimate. This reflects the transfer of Headquarters responsibility for the Section 23 Leased Housing program from the Office of Housing to the Office of Public and Indian Housing. No change is being requested for FY 1987 from the current estimate for FY 1986.

The Headquarters staff perform the following principal functions in support of Housing goals:

-- develops program and policy recommendations for all Housing programs;

-- directs and coordinates the administration of all Housing programs and provides technical assistance and procedural guidance to the field staff;

-- monitors, reviews, and evaluates field program operations and reviews administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended;

-- administers regulatory functions of the Department as required; and

-- provides private market financing assistance to local agencies, and administrative, management, statistical and budget support.

2. FIELD EMPLOYMENT

The following tables indicate the distribution of field staff by specific activities within major functional areas--development and management.

FUNCTION	FULL-TIME PERMANENT APPOINTMENTS ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Development Activities	1,784	1,546	1,774	1,518	-256
Management Activities	2,364	2,596	2,595	2,673	+78
Program Compliance Activities	23	23	31	31	...
Total Full-Time Permanent Appointments, End of Year	4,171	4,165	4,400	4,222	-178

	STAFF-YEARS a/ ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Development Program Functions:					
Section 8 Program b/	58	119 d/	63	66	+3
Section 202 Program	280	208	121	118	-3
Rental Development Grant Program	5	...	...	...	...
Multifamily Insured Programs c/	315	158 e/	277	277	...
Subtotal, Multifamily	658	485	461	461	...
Single Family Insured Programs	1,084	928	1,339	946	-393
Skills Maintenance	...	...	9	3	-6
Subtotal, Program Functions	1,742	1,413	1,809	1,410	-399
General Direction	204	195	167	167	...
Subtotal, Development	1,946	1,608	1,976	1,577	-399
Management Program Functions:					
Section 8 Program f/	158	261	189	205	+16
Loan/Mortgage Management	1,618	1,739	1,831	1,805	-26
Property Disposition	601	471	741	596	-145
Skills Maintenance	...	...	14	4	-10
Subtotal, Program Functions	2,377	2,471	2,775	2,610	-165
General Direction	195	157	172	172	...
Subtotal, Management	2,572	2,628	2,947	2,782	-165
Program Compliance Functions	23	23	36	31	-5
Gramm-Rudman-Hollings Reduction	NA	NA	-303	...	+303
Subtotal, Housing Activities	4,541	4,259	4,656	4,390	-266
Terminal Leave	33	22	22	28	+6
Total Staff-Years	4,574	4,281	4,678	4,418	-260

a/ Staff-years are rounded to the nearest whole number.
b/ This line includes Section 8 Existing, Moderate Rehabilitation and Vouchers. Section 8 New and Substantial Rehabilitation are included in Multifamily Insured Programs.
c/ This line includes Section 8 New and Substantial Rehabilitation.
d/ This number includes 22 staff-years for Section 8 New and Substantial Rehabilitation.
e/ This number does not include 22 staff-years for Section 8 New and Substantial Rehabilitation which are included in Section 8 Program above.
f/ This line includes Section 8 Existing, Moderate Rehabilitation and Vouchers. Section 8 New and Substantial Rehabilitation are included in Loan/Mortgage Management.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

a. Changes.

(1) Changes to the FY 1986 Budget Estimate

The current estimate for FY 1986 contains an increase of 235 positions and 397 staff-years for Housing field staff.

In Housing Development, multifamily staffing needs remain approximately the same although there are changes in the composition of multifamily program workload. Single-family staffing needs, however, have increased by 44 percent due to a projected increase in insurance applications from 570,000 to 900,000 units.

In Housing Management, a significant increase in staff is required due to increases in workload for both Single-Family Loan Management and Single-Family Project Disposition. Staff is provided for reprocessing assignments under court order. The court order was stayed in January, 1986 and an appeals court decision is expected by the summer of 1986. The increase in the calculated need for Housing Management staff would be greater than it is, were it not for reductions in staffing unit costs for Section 8 and Multifamily Loan Management based on analysis of field office performance and productivity.

(2) Changes from 1986 to 1987

The budget estimate for FY 1987 shows full-time permanent positions for Housing field staff reduced to 4,222 from 4,400 in FY 1986 and staff-years reduced to 4,418 from 4,678 in FY 1986.

In Housing Development, these decreases are the direct result of proposed legislative changes in the FHA Single-Family Insurance program which, it is projected, will reduce applications from the Budget estimate of 900,000 units for 1986 down to 625,500 units in 1987 and thereby reduce staffing needs by 394 staff-years.

In Housing Management, a modest decrease in the staff requirement is based on estimates of reduced workload in single-family activities and savings due to expected contracting of Single-Family Property Disposition work.

b. Development Staff. The Housing development staff works directly with PHAs and other governmental entities, sponsors, developers, and mortgagees in the preparation, review, and approval of applications for housing assistance, direct loans, and mortgage insurance. Staff activities begin with the initial inquiry about obtaining program assistance and continue through the review and approval of the application, the execution of assistance contracts, inspection and completion of construction, and closing of loans; execution of Housing Assistance Payment contracts; and/or final endorsement and insurance of the mortgage. These activities are designed to ensure protection of the Federal investment. The principal types of professionals employed and their related major functions follow:

Construction analysts/architects examine multifamily project sites and advise designers about the preparation of construction contract documents. The examination of construction drawings and specifications for conformance with Departmental standards, policies, and procedures also applies to submissions under the Single-Family Housing programs. Construction analysts/architects also monitor construction contract administration for insured multifamily housing projects.

Cost analysts are responsible for the development and maintenance of construction cost data for multifamily dwellings. These personnel advise and assist housing sponsors on technical matters regarding construction costs, analyze construction cost data, and select prevailing prices for use in making replacement cost estimates. They also prepare quality analyses and construction cost comparisons which reflect locality adjustment percentages for periodic cost reports. Cost analysts also collect home improvement cost data for single-family homes.

Multifamily appraisers are responsible for reviewing market acceptability, determining rent levels that can be obtained in the market place, establishing the appraised value of land, and forming the initial environmental review.

Engineers provide direct assistance and consultation to construction analysts/architects on complex mechanical, electrical, structural, civil or sanitary engineering problems, as appropriate.

Mortgage credit examiners and financial analysts determine the financial feasibility of applications for subsidies, loans, and mortgage insurance. Using information that has been developed by other HUD staff, they determine whether the proposed development or purchase is a sound financial undertaking for the particular program, i.e., whether the agency, sponsor, or mortgagor has the ability to liquidate the debt to be incurred in the development of the proposed housing. Upon completion of a project, they review and approve the cost certifications prior to final endorsement.

Appraisers make real estate appraisals of vacant sites and existing improvements in conjunction with applications for Insured Multifamily Housing and the Direct Loan programs. Appraisers also complete environmental evaluation reports for proposed sites.

Multifamily housing representatives advise applicants about preparing applications and ensure that applications are consistent with program policies and criteria. They also coordinate the review of applications in order to provide liaison among HUD staff, developers, sponsors, and/or applicants.

(1) Section 8 Program. The Field staff has the responsibility for processing the remaining development pipeline of new construction and substantial rehabilitation projects and carrying out the Existing Housing, Moderate Rehabilitation and Voucher programs. They also are required to review submissions for compliance with program requirements; prepare and execute development agreements and contracts; provide technical assistance; and, where applicable, coordinate the Section 8 proposals with other programs such as Section 202 Housing for the Elderly or Handicapped or the HUD mortgage insurance programs. Under the Existing Housing program, the Field staff are required to prepare and publish invitations to PHAs, review PHA submissions, and recommend approval or disapproval of agreement or contract documents. In addition, the field staff are responsible for training both HUD and PHA staff about new program procedures.

(2) Housing for the Elderly or Handicapped. The functions of the field staff for the Section 202 program are explained previously under "Development Staff" and "Section 8 Program."

(3) Rental Development Grant Program. Field staff in conjunction with Headquarters staff are responsible for implementing the Rental Development Grant program which was authorized in the Housing and Urban-Rural Recovery Act of 1983. The program provides for grants to States, cities and urban counties for construction or the substantial rehabilitation of rental housing.

(4) Multifamily Insured Programs. The functions of the Field staff are explained previously under "Development Staff."

(5) Single-Family Insured Programs. Field staff are responsible for all one-to-four family home mortgage insurance activities as explained in the Mortgage and Loan Insurance (FHA Fund) section of these Justifications. These activities include the processing of home mortgage insurance applications and issuance of mortgage insurance commitments and mortgage insurance pursuant to such commitments. The staff also maintain liaison with lending institutions to obtain information on trends in the mortgage market for use in evaluating housing market conditions as a basis for local planning and operations. The HUD staff also review appraisals and inspections of single-family properties that are performed by private appraisers and inspectors who are on HUD fee panels.

c. Management Staff. The primary objective of the management staff in the field offices is to preserve the quality and fiscal integrity of HUD assisted/subsidized/insured housing. These activities are the responsibility of three staff groups as follows: the Assisted Housing staff is responsible for the subsidized housing programs, including Section 8 units developed or administered by local PHAs; the Loan/Mortgage Management staff is responsible for the management and servicing of HUD-insured and HUD-held mortgages, the administration of the Troubled Projects (Flexible Subsidy) program, and the management of the Direct Loan portfolio; and the Property Disposition staff is responsible for the management and disposition of HUD-owned properties.

(1) Section 8 Program. The field staff has responsibility for management functions related to the Section 8 Housing Assistance Payments program. Functions include overall responsibility for ensuring that financial, physical, social, and management policies and procedures are met. Management activities also include conducting on-site inspections of dwelling units and participant files.

Housing management officers are the primary contact with PHAs with respect to Housing Management activities. They provide technical assistance to PHAs concerning general management and administrative functions, including advice on staffing, personnel policies, procurement, insurance, training, rent collections, vacancy problems, vandalism and crime prevention, and modernization programs. They also conduct periodic management reviews and secure correction of their findings. In addition, they are responsible for promoting the effective and efficient operation of the PHAs and for coordinating all Housing management specialist activities.

Financial management analysts are responsible for financial management, budgeting, and fiscal control. The financial management analysts also conduct on-site PHA financial management reviews and surveys.

Occupancy specialists review and monitor HUD rental and occupancy policies and procedures for subsidized housing and make appropriate recommendations to PHA management. This involves reviewing and monitoring rent schedules, income limits, leases, tenant eligibility, and income certifications; approval of monthly payment vouchers; and conduct of occupancy reviews and audits.

Special emphasis is placed on HUD policies and standards in areas such as lease and grievance procedures, tenant selection, and rent and income criteria.

(2) Loan/Mortgage Management Activities. Loan/Mortgage Management field personnel are responsible for the servicing and management of HUD-insured and HUD-held mortgages to forestall and reduce losses to the various mortgage and loan insurance programs. In addition, they perform loan management and servicing functions for the Section 202 Housing for the Elderly or Handicapped Loan portfolio; and the noninsured project mortgage portifolio, as explained in the applicable program justifications.

Additional responsibilities include monitoring project management and operations; performing physical, financial management, and occupancy reviews; processing proposed rent increases, transfers of physical assets, and releases from reserves and escrows; reviewing certifications/recertifications and vouchers; amending subsidy contracts associated with the Rent Supplement, Section 8, and Rental Assistance Payment projects; handling default problems, mortgage assignments, modifications, forbearance and work-out agreements; performing debt collection functions; recommending action on foreclosures, conveyance, or taking deeds in lieu of conveyance; and administering the Troubled Projects (Flexible Subsidy) program.

Servicing of single-family mortgages and Title I home improvement or manufactured home loans includes the development of a comprehensive program for review of lenders' servicing practices and provision of financial relief through various forms of forbearance to avoid or cure mortgage or loan defaults. Loan and mortgage servicing specialists also perform periodic reviews to evaluate the status of mortgages or loans and to identify problems and take action to avoid potential defaults. Title I loan servicing specialists also provide technical assistance to the U.S. Attorneys in connection with accounts turned over to the Department of Justice for collection.

The staff is also responsible for certifying and/or recertifying local public and private nonprofit agencies as acceptable counselors for potential homebuyers, homeowners, and renters under HUD-assisted and HUD-insured programs.

(3) Property Disposition. Property disposition field personnel have responsibility for disposing of all HUD-owned properties as explained in the "Mortgage and Loan Insurance (FHA Fund)" justification. Disposition is conducted in the most expeditious manner possible while at the same time protecting the Department's investment by ensuring the maximum dollar return to the FHA Fund or other applicable funds consistent with the need to preserve and maintain the existing housing stock in urban residential areas and communities. These objectives are accomplished through utilization of the private sector of the market consisting chiefly of the real estate industry, repair contractors, and mortgage lenders.

Realty specialists have oversight responsibility for rental, repair, improvement, alteration, maintenance, operation, management, and sale of all HUD-owned properties for all HUD housing programs; and they supervise and coordinate the home and multifamily property disposition activities of Area Management Brokers and Multifamily Project Managers, respectively. This staff prepares disposition programs and establishes sales prices; develops manager qualifications; conducts pre-bid meetings; issues invitations to bid; develops financing sources; approves or rejects purchase offers that may be submitted by selling brokers; establishes rental rates; administers procurement contracts; develops offering prices on properties; and takes all necessary actions to protect the interest of the Department while disposing of HUD-owned properties.

Construction/contracting specialists are responsible for the professional and technical aspects of rehabilitation, repair, upgrading, and maintenance of HUD-owned properties. These personnel obtain procurement contracts for all supplies and services including repairs, maintenance, operation, and management, and they safeguard such property by utilizing the most effective and economical practices to assure compliance with Federal statutory and regulatory requirements.

(4) Program Compliance. Program Compliance Loan Specialists (General) perform duties related to monitoring Title I and Title II lenders, and program participants under the jurisdiction of the Interstate Land Sales Full Disclosure Act. The Loan Specialists review and analyze Title I loan originations and servicing activities and Title II mortgagee loan origination activities. They conduct site inspections and investigations incident to the enforcement of the Interstate Land Sale Full Disclosure Act. In addition, they initiate corrective action by lenders and program participants, evaluate the improvement, and recommend additional administrative, civil, or criminal action.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

HOUSING FIELD STAFFING

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1986 Projected Accomplishment	Fiscal Year 1986 Projected Unit Cost	Fiscal Year 1986 Staff-Years	Fiscal Year 1987 Projected Accomplishment	Fiscal Year 1987 Projected Unit Cost	Fiscal Year 1987 Staff-Years
DEVELOPMENT							
Multifamily							
Sec 8 Non-Insured Existing, Vouchers & Mod. Rehab ACC Executions.......	ACC	2,633	44.48	56.1	2,746	44.48	58.5
Section 202							
Reservations.........	Project	1	110.97	0.1	0	110.97	0.0
Starts...............	Project	268	527.01	67.6	268	527.01	67.6
Completions..........	Project	168	497.79	40.0	157	497.79	37.5
Total, Sec. 202..				107.7			105.1
Insured Multifamily							
Firm Commitments.....	Project	556	600.00	159.8	556	600.00	159.8
Init Endor/Const/Post	Project	547	330.00	86.5	547	330.00	86.5
Total, Ins. MF.....				246.3			246.3
Rental Rehab in Housing Development Implementation.......	Application	1	150.00	0.1	0	150.00	0.0
Data Bank Maintenance	MF Office	51	2,088.00	51.0	51	2,088.00	51.0
Total, All MF....				461.2			460.9

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

HOUSING FIELD STAFFING

		Fiscal Year 1986			Fiscal Year 1987		
Resource Allocation Guideline	Indicator (Work unit)	Projected Accomplishment	Projected Unit Cost	Staff-Years	Projected Accomplishment	Projected Unit Cost	Staff-Years
Single Family							
HUD Commitment Processing							
Cond Commit: Proposed	Case	41,942	5.00	100.4	29,150	5.00	69.8
Existing	Case	181,964	2.30	200.4	126,465	2.30	139.3
VA-CRV..	Case	39,633	1.50	28.5	27,545	1.50	19.8
Firm Commitment......	Case	221,373	1.80	190.8	153,854	1.80	132.6
Endorsement..........	Case	177,098	0.90	76.3	123,084	0.90	53.1
Subtotal, HUD Proc.				596.4			414.6
Direct Endorsement Processing							
Endorsement: Non-VACRV	Case	315,994	1.31	198.3	219,616	1.31	137.8
VACRV....	Case	60,189	0.63	18.2	41,832	0.63	12.6
Val. & Arch. Review..	Case	304,708	1.97	287.5	211,773	1.97	199.8
Mortgage Credit Rev..	Case	376,183	0.64	115.3	261,448	0.64	80.1
DETRS Data Entry.....	Case	680,891	0.25	81.5	473,221	0.25	56.7
Subtotal, Dir. End.				700.8			487.0
Coinsurance..........	Case	1,380	2.13	1.4	959	2.13	1.0
Subtotal, Commit...				1,298.6			902.6
Other S.F. Process							
Sec. 234 Proj. Proc..	Project	670	12.87	4.1	700	12.87	4.3
Title X Processing...	Project	15	930.00	6.7	20	930.00	8.9
Subdivision Proc.....	Application	2,500	25.00	29.9	2,500	25.00	29.9
Subtotal, Other S.F				40.7			43.1
Total, All S.F...				1,339.3			945.7
Total, Dev. Prg....				1,800.5			1,406.6
Overhead							
Regional Staff.......	FTP	45	2,088.00	45.0	45	2,088.00	45.0
General Direction....	FTP	122	2,088.00	122.0	122	2,088.00	122.0
Skills Maintenance...	FTP			9.0			3.0
Total, Overhead....				176.0			170.0
TOTAL DEVELOPMENT				1,976.5			1,576.6

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

HOUSING FIELD STAFFING

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1986 Projected Accomplishment	Fiscal Year 1986 Projected Unit Cost	Fiscal Year 1986 Staff-Years	Fiscal Year 1987 Projected Accomplishment	Fiscal Year 1987 Projected Unit Cost	Fiscal Year 1987 Staff-Years
MANAGEMENT							
Sec 8 Existing, Mod Rehab & Vouchers:							
Input To Develop...	ACC	2,633	32.00	40.4	2,746	32.00	42.1
Management Reviews.	PHA	1,070	120.00	61.5	1,163	120.00	66.8
Other Management...	Unit	906,000	0.20	86.8	1,005,259	0.20	96.3
Total, Sec. 8....				188.7			205.2
MF & SF Loan Mgmt							
Multifamily Loan Management							
Input to Development.	HAP & Firm	824	48.00	18.9	824	48.00	18.9
Project Servicing:							
Insured............	Project	14,693	70.00	492.6	14,450	70.00	484.4
HUD-Held...........	Project	1,420	200.00	136.0	1,355	200.00	129.8
Section 202........	Project	2,599	60.00	74.7	2,818	60.00	81.0
Non-Insured Sec. 8:							
HFDA.............	Project	2,265	20.00	21.7	2,265	20.00	21.7
Non-HFDA.........	Project	3,057	25.00	36.6	3,100	25.00	37.1
Congregate Hsg Serv	Project	62	150.00	4.5	62	150.00	4.5
Flexible Subsidy:							
Contract Exec....	Contract	158	72.00	5.4	132	72.00	5.2
Contract Admin...	Contract	350	42.00	7.0	280	42.00	5.6
Subtotal, Serv.				778.5			769.3
Occupancy Processing:							
Appl/Recert Review.	Hsg Ut 000's	1,378	150.00	99.0	1,395	150.00	100.2
Voucher Review.....	Hsg Ut 000's	945	350.00	158.4	960	350.00	160.9
Contract Admin.....	Project	17,192	5.00	41.2	17,513	5.00	41.9
Subtotal, Occup..				298.6			303.0
Subtotal, MF LM				1,096.0			1,091.2

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

HOUSING FIELD STAFFING

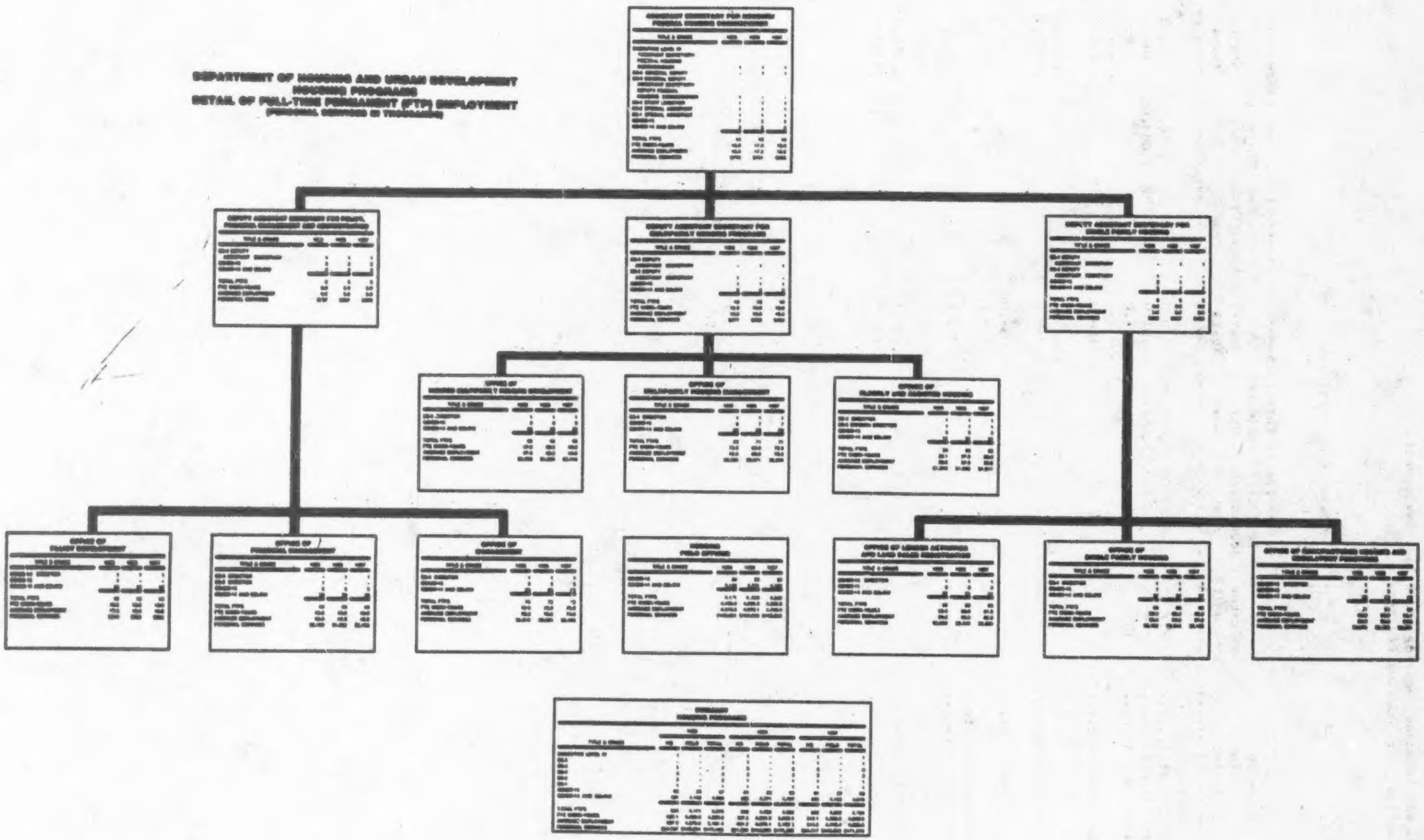
		Fiscal Year 1986			Fiscal Year 1987		
Resource Allocation Guideline	Indicator (Work unit)	Projected Accomplishment	Projected Unit Cost	Staff-Years	Projected Accomplishment	Projected Unit Cost	Staff-Years
Single Family Loan Management:							
Mortgagee Reviews..	Review	1,000	24.00	11.5	1,000	24.00	11.5
Assignment Request.	Request	25,960	12.00	149.2	25,900	12.00	148.9
Reprocessing.......	Request	32,000	3.00	46.0	0	3.00	0.0
Secy-Held Mortgages	Mortgage	41,931	12.00	241.0	47,175	12.00	271.1
Defaulted Mortages.	Mortgage	108,444	1.00	51.9	105,000	1.00	50.3
Current Ins. Mtgs..	Mtg 000's	5,209	10.00	24.9	5,523	10.00	26.5
Housing Counseling:							
Agencies.........	Agency	340	36.00	5.9	340	36.00	5.9
Grantees.........	Grantee	210	65.00	6.5	210	65.00	6.5
Subtotal, SF LM				536.9			520.7
Title I:							
Prop Imp Loans.....	Loan	46,602	6.00	133.9	46,100	6.00	132.5
Mobile Home Loans..	Loan	11,594	11.50	63.9	11,100	11.50	61.1
Subtotal, Title I				197.8			193.6
Subtotal, SFLM/TI				734.7			714.3
Total, MF/SF LM				1,830.7			1,805.5
Property Disposition Multifamily:							
Inventory..........	Project	163	450.00	35.1	159	450.00	34.3
Acquisition........	Project	108	200.00	10.3	98	200.00	9.4
Sales..............	Project	112	400.00	21.5	104	400.00	19.9
Formal Contracts...	Contract	300	200.00	28.7	290	200.00	27.8
Subtotal, MF PD..				95.6			91.4
Single Family:							
Inventory..........	Property	17,021	11.00	89.7	14,698	11.00	77.4
Acquisition........	Property	43,177	10.00	206.8	38,656	10.00	185.1
Sales..............	Property	45,500	16.00	348.7	42,000	16.00	321.8
Contractor Saving..				...			-80.0
Subtotal, SF PD..				645.2			504.3
Total, MF/SF PD				740.8			595.7
Total, Mgt Prg				2,760.2			2,606.4

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

HOUSING FIELD STAFFING

		---Fiscal Year 1986---			---Fiscal Year 1987---		
Resource Allocation Guideline	Indicator (Work unit)	Projected Accomplishment	Projected Unit Cost	Staff-Years	Projected Accomplishment	Projected Unit Cost	Staff-Years
Overhead							
Regional Staff.......	FTP	70	2,088.00	70.0	70	2,088.00	70.0
General Direction....	FTP	102	2,088.00	102.0	102	2,088.00	102.0
Skills Maintenance...	FTP			14.0			4.0
Total, Overhead....				186.0			176.0
Total, Management				2,946.2			2,782.4
Program Compliance...				36.0			31.0
Gramm-Rudman-Hollings Reduction...........				-302.6			...
TOTAL, HOUSING.				4,656.1			4,390.0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING PROGRAMS
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Public Housing (units)					
Reservations..............	5,448	...	350 a/	...	-350
Starts....................	7,714	3,000	8,000	3,000	-5,000
Completions b/............	16,796	23,074	16,000	15,000	-1,000
Indian Housing (units)					
Reservations..............	2,178	...	...	...	...
Starts....................	3,419	2,800	2,800	2,500	-300
Completions b/............	2,471	3,300	2,800	2,800	...
Use of Contract Authority					
Development:					
Public Housing..........	$31,358	...	$2,691 a/	NA	-$2,691
Indian Housing..........	11,170	...	...	NA	...
Contract Amendments.....	8,480	$82,322	6,897	NA	-6,897
Leased Housing Adjustments	19,264	19,200 c/	19,200 c/	NA	-19,200
Accounting Adjustments....	14,464	...	...	NA	...
Modernization............	83,815	175,000	22,916	NA	-22,916
Total..................	168,551	276,522 d/	51,704	NA	-51,704
Use of Budget Authority					
Development:					
Public Housing..........	940,748	...	80,731 a/	...	-80,731
Indian Housing..........	290,151	...	...	...	...
Contract Amendments.....	273,112	82,322	200,000	58,900	-141,100
Leased Housing Adjustments	19,264	19,200 c/	19,200 c/	16,300	-2,900
Accounting Adjustments....	333,297	...	...	...	...
Modernization............	1,676,441	175,000	458,325	225,000	-233,325
Total..................	3,533,014	276,522 d/	758,256	300,200 d/	-458,056

a/ Reflects requirements pursuant to an outstanding court order.

b/ Includes construction completions and existing housing units made available for occupancy.

c/ The Section 23 Leased Housing program was the responsibility of the Assistant Secretary for Housing when the 1986 Budget was presented. In 1985, program responsibility (including Leased Housing Adjustments) was transferred to the Assistant Secretary for Public and Indian Housing.

d/ The 1986 budget estimates and the 1987 estimates reflect capital grant funding in lieu of long-term amortization financing as reflected for 1985 and the 1986 current estimates.

NA Not Applicable. The Budget assumes changing to a capital grant financing method in 1987 which does not require contract authority.

NOTE: This section of the Budget Justifications reflects those portion of the account "Annual Contributions for Assisted Housing" which is the responsibility of the Assistant Secretary for Public and Indian Housing. Details for the entire account are provided in the Annual Contributions section of the Housing portion of these Justifications.

Annual Contributions for Assisted Housing (Public and Indian Housing)

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Fiscal Year 1986. The Administration's 1987 Budget reflects a number of program modifications for 1986, including sequestration, reprogrammings, rescissions and deferrals in an effort to address the problems of Federal deficits.

As a result, substantial funding reductions are being proposed for Public and Indian Housing programs from those levels approved by the Congress for 1986. The table below outlines the program approved by Congress (adjusted for sequestration) and the Administration's current proposal for 1986 (also reflecting sequestration).

	FISCAL YEAR 1986			
	1986 APPROPRIATION		1987 BUDGET	
	UNITS	BUDGET AUTHORITY	UNITS	BUDGET AUTHORITY
		(Dollars in Millions)		
Development:				
Public Housing	4,803	$940.4	350	$80.7
Indian Housing	1,921	314.7	...	...
Contract Amendments	NA	288.2	NA	200.0
Leased Housing Adjustments	NA	18.4	NA	19.2
Modernization	NA	1,441.0	NA	458.3
Total	6,724	3,002.8	350	758.3

Under the proposal, Public and Indian housing new reservations would be eliminated with the exception of 350 units to be provided to meet the requirements of an outstanding court order. Contract amendments would continue to be provided for projects in the pipeline, but at a level of $200 million instead of $288.2 million. Modernization activity would be reduced from $1,441 million to $458.3 million to be used for emergency requirements only. This equates to a reduction in capital costs of $482.4 million--from $707.4 million to $225 million. A reprogramming is being proposed which will restore Leased Housing Adjustments to $19.2 million which is the level estimated to be required for 1986.

Fiscal Year 1987. The Budget proposes $300.2 million of budget authority for Public and Indian Housing in 1987. The funding will be used as follows:

a. Public Housing and Indian Housing Development. No new budget authority is included for either Public or Indian Housing new development activities consistent with the Administration's overall policy of not approving any additional subsidized units for development in 1987 in a Government-wide effort to curtail Federal spending to reduce the deficit. However, Public Housing and Indian Housing units reserved prior to 1987 will continue to be processed until completed.

b. Public and Indian Housing Amendments. The Budget includes $58.9 million of new budget authority on a capital cost basis to amend Annual Contributions Contracts (ACCs) for Public Housing Agency (PHA) and Indian Housing Authority (IHA) units which require additional funds to reach construction start, to correct design and construction deficiencies, or provide for subsequent adjustments in financing requirements. The Budget reflects a commitment to carry through to completion those Public and Indian Housing projects in the development pipeline that are expected to remain cost feasible and viable. In addition, a portion of the budget authority available for amendments will be used for IHA off-site water and sewer facilities where necessary.

c. Leased Housing Adjustments. The Budget includes $16.3 million of budget authority for 1987 to continue annual lease adjustments to contracts approved in prior years under the Section 23 Leased Housing program.

d. Public and Indian Housing Modernization. Budget authority of $225 million on a capital cost basis is included for 1987 to fund modernization needs of existing Public and Indian Housing projects in order to respond to emergency health and safety requirements only.

e. Recapture of Authority. The Budget reflects that some units reserved in the past no longer remain feasible and will fall out of the development pipelines. It is estimated that 461 units will drop out in 1987. This is estimated to result in the recapture of $65.3 million of budget authority. The following table summarizes the Public and Indian Housing "pipeline" recaptures (deobligations) in 1985 and the assumptions utilized in developing the 1986 and 1987 estimates.

1985-1987 RECAPTURES (DEOBLIGATIONS)

PROGRAM	1985		1986		1987	
	UNITS	BUDGET AUTHORITY	UNITS	BUDGET AUTHORITY	UNITS	BUDGET AUTHORITY
			(Dollars in Millions)			
Development:						
Public Housing	2,468	$378.9	2,000	$276.0	324	$44.7
Indian Housing	179	42.7	153	23.0	137	20.6
Leased Housing Adjustments	NA	118.7	NA	...	NA	...
Modernization	NA	18.5	NA	...	NA	...
Total	2,647	558.8	2,153	299.0	461	65.3

In addition, under proposed legislation to change the method of financing Public and Indian Housing, approximately $22 billion in 1986 and $6 billion in 1987 that no longer would be required to support future debt service payments would be recaptured and rescinded. This would result from the proposal to cancel PHA and IHA obligations relating to principal and interest on notes redeemed and future advances. A description of this proposal is included in the Public and Indian Housing Loan Fund section of these Justifications.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The differences between 1985 estimates included in the 1986 Budget and actual totals for the year are as follows:

a. Reservations. The 1986 Budget estimated that 5,000 Public Housing and 2,000 Indian Housing units, or a total of 7,000 units, would be reserved in 1985 whereas a total of 7,626 Public and Indian Housing units actually were reserved in 1985. Of this total, 5,448 units were reserved for Public Housing at an average of $6,091 per unit of contract authority compared with an estimate of 5,000 units at $6,300 per unit of contract authority in the 1986 Budget. Of the 5,448 total Public Housing units, 300 units reserved in 1985 were reported as additional dwelling units which required no additional contract authority or budget authority because they resulted from technical adjustments to the accounting system records.

A total of 2,178 Indian Housing units were reserved in 1985 at an average of $5,579 per unit of contract authority compared with an estimate of 2,000 units at $5,585 per unit of contract authority in the 1986 Budget. Of the total Indian Housing units reserved, 176 units were approved as a result of adding units to projects reserved in previous fiscal years without increasing previously approved funding.

b. Starts. Total Public and Indian Housing new construction and substantial rehabilitation starts were estimated at 10,434 units for 1985 in the 1986 Budget. This included 7,134 Public Housing starts and 3,300 Indian Housing starts. Actual 1985 starts were 11,133 units, including 7,714 Public Housing units and 3,419 Indian Housing units. The Department continued its efforts to purge the processing pipeline of non-viable units and to move viable projects through the pipeline as expeditiously as possible.

c. Completions. Total completions, including existing units made available for occupancy, were estimated at 24,130 units in 1985 in the 1986 Budget. Actual completions totaled 19,267 units, including 16,796 Public Housing units and 2,471 Indian Housing units.

d. Contract Authority and Budget Authority. The 1986 Budget reflected $170.9 million of contract authority and $3,536.9 million of budget authority (including Leased Housing Adjustments) available for 1985. A subsequent reprogramming action increased the amount of contract authority and budget authority available for contract amendments for development by $3.3 million of contract authority and $100 million of budget authority based on revised estimates of needed funding. Of the revised totals of $174.2 million of contract authority and $3,636.9 million of budget authority available in 1985, $168.6 million of contract authority and $3,533.0 million of budget authority were reserved in 1985.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget did not provide for the reservation of any additional Public or Indian Housing units in 1986. Modernization was proposed for emergency needs at a $175 million level on a capital cost basis. Contract amendments were projected at $82.3 million for the year. The differences between the 1986 initial estimate and the 1986 current estimate follow:

a. Reservations. The 1986 Budget proposed no reservations of any additional Public or Indian Housing units. The 1987 Budget, however, reflects reservations of 350 Public Housing units in response to the requirements of an outstanding court order.

b. Starts. The 1986 Budget included a construction starts estimate of 5,800 units in 1986. This total included 3,000 units of Public Housing and 2,800 units of Indian Housing. The current estimate reflects starts of 10,800 units in 1986, including 8,000 Public Housing units and 2,800 Indian Housing units. The pipeline has been "purged" of many projects which had little chance of proceeding to start and the current starts estimates reflect this action.

c. Completions. The 1986 Budget included a completions estimate of 26,374 units in 1986 consisting of 23,074 Public Housing units and 3,300 Indian Housing units. The 1987 Budget reflects completions of 18,800 units in 1986, including 16,000 Public Housing units and 2,800 Indian Housing units.

d. Contract Authority and Budget Authority. The 1986 Budget reflected the reservation of $276.5 million of both contract authority and budget authority whereas the current Budget reflects estimated reservations totaling $51.7 million of contract authority and $758.3 million of budget authority. Although the 1986 Budget reflected contract authority and budget authority on a capital grant basis, the 1986 appropriation and current estimate for 1986 reflect contract authority and budget authority on a long-term amortization (debt service) funding basis since the Congress did not enact the proposed change in the financing method. The following table compares unit reservations, contract authority, budget authority and loan authority (capital cost) estimates under the capital grant and debt amortization financing methods.

Annual Contributions for Assisted Housing (Public and Indian Housing)

	FISCAL YEAR 1986			
	BUDGET ESTIMATE (CAPITAL GRANTS)	APPROPRIATION (DEBT SERVICE)	SEQUESTERED APPROPRIATION	CURRENT ESTIMATE (DEBT SERVICE)
		(Dollars in Millions)		
RESERVATIONS (units)				
Public Housing................	...	5,000	4,803	350
Indian Housing................	...	2,000	1,921	...
CONTRACT AUTHORITY				
Development:				
Public Housing..............	...	$32.6	$31.3	$2.7
Indian Housing..............	...	11.7	11.2	...
Contract Amendments..........	$82.3	10.4	10.0	6.9
Leased Housing Adjustments....	19.2	19.2	18.4	19.2
Modernization.................	175.0	75.0	72.0	22.9
Total....................	276.5	148.9	142.9	51.7
BUDGET AUTHORITY				
Development:				
Public Housing..............	...	978.9	940.4	80.7
Indian Housing..............	...	327.6	314.7	...
Contract Amendments..........	82.3	300.0	288.2	200.0
Leased Housing Adjustments....	19.2	19.2	18.4	19.2
Modernization.................	175.0	1,500.0	1,441.0	458.3
Total....................	276.5	3,125.7	3,002.8	758.3
LOAN AUTHORITY (Capital Cost)				
Contract Amendments...........	82.3	122.2	117.4	81.5
Modernization.................	175.0	736.4	707.4	225.0

EXPLANATION OF INCREASES AND DECREASES

As part of the Government-wide effort to curtail Federal spending to reduce the deficit, the 1987 Budget does not include funding for the reservation of additional Public Housing or Indian Housing units in 1987. Also, Modernization funding would continue to be provided only for emergency needs in 1987. In 1987, capital costs for contract amendments and modernization would be financed with capital grant funding to PHAs and IHAs in lieu of amortizing the capital cost over a 20- to 30-year period. Therefore, budget authority and capital costs will be equal under this proposed revision to the current financing procedure. The differences between the 1986 current estimates and the 1987 estimates follow:

1. Reservations. No reservation of additional units are proposed for Public or Indian Housing in 1987.

2. Starts. In 1987, Public and Indian Housing construction starts are expected to decrease to 5,500 units with 3,000 unit starts for Public Housing and 2,500 unit starts for Indian Housing. Unit starts will be lower than 1986 levels because of the smaller pipeline of unstarted units at the beginning of 1987.

3. Completions. Construction completions, including existing housing units made available for occupancy, are expected to decrease by 1,000 units from 18,800 units in 1986 to 17,800 units in 1987 comprised of 15,000 Public Housing units and 2,800 Indian Housing units.

Annual Contributions for Assisted Housing (Public and Indian Housing)

4. Contract Authority and Budget Authority. As described previously, contract amendments and emergency modernization in 1987 would be funded with capital grants in lieu of the current method of borrowing the capital funds in the private market and then amortizing those borrowings throughout the term of the ACC with annual debt service payments provided from permanent indefinite appropriations. These changes would decrease the budget authority requirements for this account and no contract authority would be required. Budget authority and the capital costs required for contract amendments and modernization would be equal under this proposed financing method. A total of $58.9 million is requested to fund emergency modernization requirements and additional $16.3 million is requested for annual adjustments to contracts approved under the Section 23 Leased Housing program. The Department will continue to deobligate (recapture) funding in 1987 for those units that are not feasible or where development processing milestones are not met.

PROGRAM DESCRIPTION

The U.S. Housing Act of 1937, as amended, provides for locally operated Low-Income Public and Indian Housing programs. Participants in the programs, generally called PHAs or IHAs, can be any State, county, municipality, Indian Tribe, or other public body that HUD has determined eligible to engage in or assist in the development, ownership and operation of Public or Indian Housing projects, as applicable. The Annual Contributions for Assisted Housing appropriation provides funding for Public and Indian Housing development and modernization activities and Section 23 Leased Housing contract adjustments.

HUD provides the PHAs/IHAs with technical and professional assistance in planning, developing and managing the Public and Indian Housing projects and provides annual contributions under an Annual Contributions Contract (ACC) to: (a) cover debt service on the bonds, Federal Financing Bank (FFB) instruments, and direct Federal loans that are used to finance PHA/IHA-owned housing, (b) assure the low-income character of the projects, and (c) achieve and maintain adequate operating and maintenance services and reserve funds. Operating subsidies for this latter category of assistance to PHA-owned and IHA-owned projects are provided in a separate appropriation which is discussed in the "Payments for Operation of Low-Income Housing Projects" section of these Justifications.

Federal loans are made available to PHA/IHAs for the planning and construction of dwelling units as explained in the "Low-Rent Public Housing--Loans and Other Expenses" section of these Justifications. Annual contributions are provided to amortize the debt service on PHA/IHA bonds, FFB instruments, and direct Federal loans that are used to pay the costs of planning and preparation, as appropriate, and the development and modernization costs of Public and Indian Housing projects. This ensures the low-income character of these projects.

Passage of the Tax Reform Act of 1984 subjected obligations issued by PHAs and IHAs to the requirements of Section 103 of the Internal Revenue Code. This required a ruling by the Internal Revenue Service on the tax-exempt status of PHA/IHA obligations. As a result, the Department was forced to redeem maturing project notes rather than refinance them in the private market at maturity. Between September 1984 and July 1985 HUD redeemed all outstanding tax-exempt notes using Treasury borrowings. The 1987 Budget again proposes to change the method of financing Public and Indian Housing development and modernization by providing for capital grants coupled with debt foregiveness. The Public and Indian Housing Loan Fund Justification explains this proposed new funding method.

1. PUBLIC HOUSING

A summary of the development methods which are being utilized for the existing Public Housing pipeline follows:

a. Conventional. Under the conventional (bid) method, the PHA engages an architect, selects a site, and prepares its Development Program/Proposal which is reviewed by the Department. If the Development Program/Proposal is approved, the ACC is executed. The PHA then acquires the site/property and authorizes its architect to prepare the detailed project working drawings and specifications in conformity with HUD requirements and local codes and ordinances. The PHA (with HUD approval) then advertises for private contractors to submit competitive bids and awards a construction/rehabilitation contract to the lowest responsible bidder. Current legislation establishes a priority for the development of housing units with three or more bedrooms.

b. Turnkey. The "turnkey" method of development is designed to stimulate the participation of residential builders and developers in the Public Housing program. Under the "turnkey" procedure, the PHA invites builders, contractors or realtors to submit proposals for a Public Housing project of a stated number and type of units. Any private developer or builder may submit a proposal to the PHA to develop a Public Housing project.

c. Acquisition. In some situations, using existing housing or acquiring and rehabilitating existing units is more efficient than constructing new units. Acquisition facilitates the use of scattered sites and enables residential neighborhood improvement while maintaining the neighborhood's heterogeneous social and economic character. Under this method, the PHA identifies available acceptable units and prepares a Development Program/Proposal and budget. If acceptable to HUD, an ACC is executed, the PHA acquires the existing structure, and any required rehabilitation is completed by either the conventional or turnkey methods. A PHA may proceed with acquisition with or without rehabilitation only if it makes a determination prior to the reservation of funding that suitable dwelling units are available which may be used in accordance with the requirements of its Public Housing program.

2. INDIAN HOUSING

The Indian Housing program is similar to the Public Housing program. However, the program is administered separately due to the unique needs and problems associated with Indian Housing. IHAs can be formed by any self-governing Indian Tribe or they may be formed pursuant to State laws providing for such housing authorities. Generally, an IHA hires a contractor to proceed with a construction program approved by HUD (the so-called conventional bid method), or a private builder constructs dwelling units on agreed terms and then sells the project to the IHA (the "turnkey" method). About 35 percent of the Indian Housing projects are rental and about 65 percent involve homeownership. Under the homeownership program, the families provide some form of contribution (e.g., land, labor or materials) toward the development of the housing units. They also pay for utilities and perform their own maintenance and ultimately assume full ownership of the units.

3. SECTION 23 LEASED HOUSING ADJUSTMENTS

Annual adjustments to contracts approved under the Section 23 Leased Housing program traditionally represent additional subsidies to offset increases in the cost of project operations. The funding also is used to provide interim transition assistance for projects which are being converted to the Section 8 Housing Assistance Payments program. Because of lease terms and contract provisions, conversions frequently do not involve all of the units in a project simultaneously and funding is used to subsidize the units which remain under Section 23 contracts during the "phase-out" period. In 1985, responsibility for this program was transferred from the Assistant Secretary for Housing to the Assistant Secretary for Public and Indian Housing.

4. MODERNIZATION

Since 1981, Public and Indian Housing Modernization has been performed pursuant to Section 14 of the United States Housing Act of 1937, as amended, which provides for a Comprehensive Improvement Assistance Program (CIAP) to improve the physical and management conditions of existing Public and Indian Housing projects. This may involve alterations, additions, demolition, or rehabilitation of existing structures and the replacement of nonexpendable equipment and upgrading the management and operation of such projects in order to assure that they continue to be available to serve low-income families. CIAP replaced the previous type of modernization which was undertaken by PHA/IHAs on an annual basis rather than under a long-term comprehensive approach. In 1986 and 1987, funding will be provided to meet emergency requirements only.

CIAP requires that each PHA/IHA applying for modernization funding prepare and submit a comprehensive assessment of the physical and management improvements required, identify normal replacement of equipment and structural elements, and submit a plan and schedule for making the improvements and replacements over a period not to exceed five years. The plan includes estimates of the total cost, the cost of each annual increment and the estimated available resources to accomplish the comprehensive objectives. Under current regulations, PHAs/IHAs are required to submit schedules for the expenditure of funds and the completion of work and to provide for supervision and inspection to ensure both work quality and progress. PHA and IHA projects also are required to undergo a viability review before being approved for any modernization, except emergency needs. PHAs and IHAs also are required to provide quarterly reports to the HUD Field Offices comparing their actual performance with their planned performance. In addition, PHAs/IHAs are required to submit a statement from their localities/tribes which reaffirm the commitment under the local Cooperation Agreement to furnish the PHAs/IHAs and their residents with the same type and level of public services and facilities as provided to the community-at-large. Emphasis is placed on management improvements as well as the physical status of Public and Indian Housing projects. Areas of concern include management, finance and accounting systems, management information systems, rent collection, tenant selection, eviction, energy and maintenance.

From the start of modernization activities in 1968 through September 30, 1987, contract authority and/or budget authority is expected to finance $8.7 billion of modernization capital costs. Modernization funding by fiscal year, including capital costs (loan authority), follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Contract Authority................	$83,815	$175,000	$22,916	NA	NA
Budget Authority..................	1,676,441	175,000	458,325	$225,000	-$233,325
Loan Authority (Capital Costs):					
Annual............................	822,921	175,000	225,000	225,000	...
Cumulative........................	8,229,777	8,415,981	8,454,777	8,679,777	+225,000

PROGRAM ACTIVITY

1. Reservations. Gross reservations by year for the period 1985-1987 are as follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(In Units)	
Public Housing			
New Construction/Substantial Rehabilitation.....	5,170	350 a/	...
Existing Housing................................	278	...	...
Subtotal..	5,448	350 a/	...
Indian Housing			
New Construction/Substantial Rehabilitation.....	2,142	...	...
Existing Housing................................	36	...	...
Subtotal..	2,178	...	...
Total Reservations, Public and Indian Housing...	7,626	350 a/	...

a/ Reflects requirements in response to an outstanding court order.

2. Units Not Under Construction. The status of outstanding reservations in terms of units reserved but not yet under construction at the beginning of the year, new construction and substantial rehabilitation units added during the year, construction starts during the year, and outstanding new construction and substantial rehabilitation reservations not under construction at the end of the year follow:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
Public Housing			
Outstanding reservations not under construction, start of year	18,260	13,324	3,674
Reservations added in year	+5,170	+350	...
Deobligations (recaptures) in year	-2,392	-2,000	-324
Construction starts in year	-7,714	-8,000	-3,000
Outstanding reservations not under construction, end of year	13,324	3,674	350
Indian Housing			
Outstanding reservations not under construction, start of year	9,233	7,777	4,824
Reservations added in year	+2,142	...	...
Deobligations (recaptures) in year	-179	-153	-137
Construction starts in year	-3,419	-2,800	-2,500
Outstanding reservations not under construction, end of year	7,777	4,824	2,187

3. Construction Starts. During 1985, construction was started on 11,133 units. Starts for an additional 10,800 units are estimated for 1986 and 5,500 units are estimated for 1987. Starts by program for each fiscal year follow:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
Public Housing			
New Construction	6,103	6,400	2,400
Substantial Rehabilitation	1,611	1,600	600
Subtotal	7,714	8,000	3,000
Indian Housing	3,419	2,800	2,500
Total Starts, Public and Indian Housing	11,133	10,800	5,500

4. Under Construction. The status of the Public and Indian Housing units under construction follows:

	ACTUAL 1985	ESTIMATE 1986 (In Units)	ESTIMATE 1987
Public Housing			
Under construction, start of year	38,945	30,037	22,037
Construction starts in year	+7,714	+8,000	+3,000
Construction completions in year	-16,622	-16,000	-15,000
Under construction, end of year	30,037	22,037	10,037
Indian Housing			
Under construction, start of year	3,048	3,996	3,996
Construction starts in year	+3,419	+2,800	+2,500
Construction completions in year	-2,471	-2,800	-2,800
Under construction, end of year	3,996	3,996	3,696

Annual Contributions for Assisted Housing (Public and Indian Housing)

5. Development Pipelines. A summary of the preconstruction and construction pipelines for 1985-1987 as shown on the prior page follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(In Units)	
Public Housing			
Preconstruction, end of year................	13,324	3,674	350
Under construction, end of year.............	30,037	22,037	10,037
Subtotal..................................	43,361	25,711	10,387
Indian Housing			
Preconstruction, end of year................	7,777	4,824	2,187
Under construction, end of year.............	3,996	3,996	3,696
Subtotal..................................	11,773	8,820	5,883
Public and Indian Housing			
Preconstruction, end of year................	21,101	8,498	2,537
Under construction, end of year.............	34,033	26,033	13,733
Total.....................................	55,134	34,531	16,270

6. 1985-1987 Program Reservations. The following table provides a summary of annual gross reservation activity for fiscal years 1985, 1986 and 1987.

1985-1987 GROSS RESERVATIONS

		CONTRACT AUTHORITY		CONTRACT	BUDGET
	UNITS	PER UNIT	TOTAL	TERM	AUTHORITY
FISCAL YEAR 1985					
Use of Authority					
Public Housing Development	5,448	$6,091	$31,358,276	30	$940,748,310
Indian Housing Development	2,178	5,579	11,169,542	26	290,151,181
Contract Amendments.......	NA	NA	8,480,101	NA	273,112,358
Leased Housing Adjustments	NA	NA	19,263,851	1	19,263,851
Accounting Adjustments....	NA	NA	14,464,023	NA	333,297,258
Modernization.............	NA	NA	83,815,519	20	1,676,440,559
Total, Public and Indian Housing................	7,626	NA	168,551,312	NA	3,533,013,517
FISCAL YEAR 1986					
Use of Authority					
Public Housing Development	350	7,689	2,691,038	30	80,731,140
Indian Housing Development	..	..	...	..	...
Contract Amendments.......	NA	NA	6,896,552	NA	200,000,000
Leased Housing Adjustments	NA	NA	19,200,000	1	19,200,000
Modernization.............	NA	NA	22,916,250	20	458,325,000
Total, Public and Indian Housing................	350	NA	51,703,840	NA	758,256,140
FISCAL YEAR 1987					
Use of Authority					
Public Housing Development	..	..	NA	NA	...
Indian Housing Development	..	..	NA	NA	...
Contract Amendments.......	NA	NA	NA	NA	58,900,000
Leased Housing Adjustments	NA	NA	NA	NA	16,300,000
Modernization.............	NA	NA	NA	NA	225,000,000
Total, Public and Indian Housing................	..	NA	NA	NA	300,200,000

7. Administrative Commitments and Obligations. Pursuant to a General Accounting Office directive, administrative commitments (reservation of authority) are identified separately from actual obligations (when an ACC contract is executed). Commitments and obligations for 1985, 1986 and 1987 are as follows:

ADMINISTRATIVE COMMITMENTS AND OBLIGATIONS RECONCILIATION
(Public and Indian Housing)

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Administrative commitments, start of year................	$9,351,117	$9,068,373	$6,327,679
Reservations during year................................	3,533,013	758,256	300,200
Prior year adjustments..................................	87,827	...	...
Deobligations (recaptures) during year..................	-558,832	-298,950	-65,262
Obligations in year.....................................	-3,344,752	-3,200,000	-2,200,000
Administrative commitments, end of year.................	9,068,373	6,327,679	4,362,617

ANNUAL CONTRIBUTIONS PAYMENTS

The consolidated explanation of the appropriations for housing payments is set forth in the Housing section of these Justifications. It includes the annual contributions payments required to liquidate Public Housing and Indian Housing contract authority for PHA/IHA-owned units and basic annual contributions for PHA-leased housing under the Section 23 Leased Housing program. This level of liquidation requirements reflects the proposed plan to eliminate long-term debt amortization (annual contributions payments) for projects which now are being financed by direct loans from the Treasury as explained in greater detail in the "Low-Rent Public Housing--Loans and Other Expenses" section of these Justifications. PHAs/IHAs are eligible to receive annual contibutions payments for PHA/IHA-owned dwellings following the Date of Full Availability (DOFA) of the project or following permanent financing, whichever occurs first.

The following table presents the estimated units for 1985 through 1987 which are eligible for annual/basic contributions payments at the beginning of the year, the estimated net change in eligible units during the year, and the total estimated units eligible for payment at the end of the year resulting from program commitments.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(In Units)	
Units eligible for payment, start of year................	1,340,575	1,355,152	1,370,000
Net change in units eligible for payment.................	+14,577	+14,848	+14,000
Units eligible for payment, end of year..................	1,355,152	1,370,000	1,384,000

Annual Contributions for Assisted Housing (Public and Indian Housing)

The composition of the estimates for Public and Indian Housing for 1985, 1986 and 1987 follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Units eligible for annual contributions payments, end of year:			
PHA/IHA-owned dwellings	1,325,752	1,342,000	1,356,500
PHA-leased dwellings	29,400	28,000	27,500
Total units	1,355,152	1,370,000	1,384,000
Debt service annual contributions outlays for PHA/IHA-owned dwelling units, net	$2,130,654	$1,423,785	$675,916
Basic annual contributions outlays for PHA-leased dwelling units:			
Contract outlays	52,796	50,283	49,384
Annual adjustment outlays	19,264	19,232	18,900
Subtotal, basic annual contributions outlays for leased housing	72,060	69,515	68,284
Total, annual contributions outlays	2,202,714	1,493,300	744,200

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS
(Public and Indian Housing Operating Subsidies)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Program Level					
PHA/IHA-owned units under management, end of year........	1,325,752	1,348,412	1,342,000	1,356,500	+14,500
Budget Authority					
Appropriation..................	$1,138,500	$1,010,600	$1,210,600	$1,171,543	-$39,057
Sequestration..................	NA	NA	-52,056	...	+52,056
Reappropriation.................	263,157	NA	NA	NA	NA
Total.........................	1,401,657	1,010,600	1,158,544	1,171,543	+12,999
Budget Authority Available					
Appropriation..................	1,138,500	1,010,600	1,210,600	1,171,543	-39,057
Sequestration..................	NA	NA	-52,056	...	+52,056
Reappropriation:					
Available in 1985.............	355,538	NA	NA	NA	NA
Available in 1986.............	NA	NA	263,157	NA	-263,157
Unobligated balance from 1986...	NA	NA	NA	61,301	+61,301
Total Available in Year.......	1,494,038	1,010,600	1,421,701	1,232,844	-188,857
Obligations......................	1,230,880	1,010,600	1,360,400	1,232,844	-127,556
Budget Outlays....................	1,205,020	1,252,200	1,337,000	1,296,972	-40,028
Proposed Rescission............	NA	-126,000 a/	NA	NA	NA
Net Outlays....................	1,205,020	1,126,200	1,337,000	1,296,972	-40,028

a/ Represents estimated outlay savings from proposed 1985 rescission which was not enacted by the Congress.

NA Not Applicable.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $1,171.5 million is requested for 1987 for the payment of operating subsidies to Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) for the operation of PHA/IHA-owned dwellings. In addition, $61.3 million of 1986 excess funds (after sequestration) are estimated to be available for use in 1987 because resources available for 1986 are expected to be in excess of currently projected funding requirements. This would permit a total obligation level of $1,232.8 million in 1987. A summary of the available funds follows:

Payments for Operation of Low-Income Housing Projects

	1986-1987 ESTIMATES (Dollars in Thousands)
1986 Appropriation	$1,210,600
Sequestration	-52,056
Reappropriation available in 1986	+263,157
Total funds available in 1986	1,421,701
Less: 1986 estimated requirements	-1,360,400
1986 excess funds estimated to be available for 1987	61,301
1987 Appropriation request	+1,171,543
Total funds available in 1987	1,232,844

For the most part, the 1987 obligation requirement of $1,284.9 million was computed based on the Performance Funding System (PFS) formula. The 1987 appropriation request of $1,171.5 million is based on the assumption that $113.4 million of 1986 funding would not be needed to satisfy 1986 requirements and would be available for use in 1987. However, as a result of sequestration pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177), the estimated carryover has been reduced by $52.1 million to $61.3 million. This combined with the $1,171.5 million requested appropriation will support a program level of $1,232.8 million in 1987.

A summary of the operating subsidy requirements and available funds for 1986 and 1987 follows:

REQUIREMENTS	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Millions)	
Performance Funding System (PFS)	$1,333.9	$1,412.0
Non-PFS Projects	52.4	54.3
Increase in rental income from 1981 legislation	-32.4	-37.1
Retroactive rent credits from 1983 legislation	40.2	NA
Savings from "rolling-base" system for utilities	-37.5	-68.8
Cost of vacancy policy implementation	3.7	11.7
Less: Freeze on increases in non-utility expenses	...	-87.2
Total Requirements	1,360.4	1,284.9
Less: Impact of 1986 Sequestration (P.L. 99-177)	...	-52.1
Funds Available	1,360.4	1,232.8

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

A comparison of 1985 actual activity with estimates included in the 1986 Budget follows:

	FISCAL YEAR 1985		
	IN 1986 BUDGET	ACTUAL	DIFFERENCE
	(Dollars in Thousands)		
Program Level			
PHA/IHA-owned units under management, end of year	1,325,038	1,325,752	+714
Budget Authority Available			
Appropriation	$1,138,500	$1,138,500	...
Reappropriation	355,538	355,538	...
Proposed Rescission	-253,138	...	+$253,138
Total Available in Year	1,240,900	1,494,038	+253,138
Obligations	1,240,900	1,230,880	-10,020
Budget Outlays	1,380,600	1,205,020	-175,580
Proposed Rescission	-126,000	...	+126,000
Net Outlays	1,254,600	1,205,020	-49,580

Payments for Operation of Low-Income Housing Projects

The latest report of units under management indicated that there were 1,325,752 units being managed by PHAs and IHAs at the end of 1985. This was only 714 units more than had been projected for 1985 in last year's Budget.

Based on the assumption of $1,240.9-million of obligations in 1985, the 1986 Budget included a proposal to rescind $253.1 million of the 1985 appropriation which were deemed in excess of 1985 requirements. The rescission was not approved by Congress. Instead, unobligated 1985 balances were made available for use in 1986.

A $15 million set-aside was included in the appropriation provided under the 1985 Supplemental Appropriations Act (P.L. 99-88) to fund planning costs associated with modernization. The House and Senate reports directed the Department to obligate these funds as soon as possible and to report to the Committees on compliance with this directive. The Department allocated the $15 million based on a weighted formula which took into consideration the number of small PHAs and total number of units in determining Regional allocations. The results of the special allocation have been transmitted to the Committees.

Despite this additional set-aside for planning costs, actual obligations in 1985 were $10 million less than the amount estimated for the year in the 1986 Budget because of lower utility costs. As a result, a balance of $263.2 million remained unused at the end of 1985 and (pursuant to the 1985 Supplemental Appropriations Act) was reappropriated for use in 1986.

Reflecting the lower level of obligations and a slightly slower rate of expenditures than expected, outlays for the year were $49.6 million lower than projected in the 1986 Budget.

3. CHANGES FROM 1986 BUDGET ESTIMATES

A comparison of 1986 currently estimated activity with estimates included in the 1986 Budget follows:

	FISCAL YEAR 1986		
	IN 1986 BUDGET	CURRENT ESTIMATE (Dollars in Thousands)	DIFFERENCE
Program Level			
PHA/IHA-owned units under management, end of year	1,348,412	1,342,000	-6,412
Budget Authority Available			
Appropriation	$1,010,600	$1,210,600	+$200,000
Reappropriation	NA	263,157	+263,157
Sequestration	NA	-52,056	-52,056
Total Available in Year	1,010,600	1,421,701	+411,101
Obligations	1,010,600	1,360,400	+349,800
Budget Outlays	1,252,200	1,337,000	+84,800
Proposed Rescission	-126,000	NA	+126,000
Net Outlays	1,126,200	1,337,000	+210,800

The estimated decrease of 6,412 units under management at the end of 1986 is based primarily on a lower level of estimated unit completions in 1986. The estimated decrease of 7,574 unit completions from 26,374 units in the 1986 Budget to 18,800 units in the 1987 Budget has been offset partially by a 714 higher unit count at the beginning of 1986. This is estimated to result in a net decrease of 6,412 units from the previous estimate for the end of 1986.

The 1986 Budget requested an appropriation of $1,010.6 million to fund 1986 requirements. However, Congress appropriated $1,210.6 million, or an additional $200 million. Also, an additional $263.2 million became available in 1986 because the 1985 Supplemental Appropriations Act provided that any amount of the 1985 appropriation that was not obligated in 1985 would become available for obligation in 1986. Subsequently, $52.1 million of the 1986 appropriation was sequestered pursuant to the Gramm-Rudman-Hollings Act. Therefore, a total of $1,421.7 million is available in 1986. The

Payments for Operation of Low-Income Housing Projects

Budget currently estimates that $1,360.4 million will be required for 1986 requirements leaving an estimated $61.3 million of the 1986 (two-year) appropriation available for obligation in 1987.

The 1986 obligation estimate of $1,360.4 million reflects an increase of $349.8 million compared with the estimate of $1,010.6 million requested in the 1986 Budget. This increase reflects higher estimates of utility costs and lower estimates of rental income (including the impact of the 1981 and 1983 Authorization Acts). In addition, provisions in the 1983 legislation will result in retroactive rent credits amounting to $40.2 million in 1986. The increase also reflects (a) increases related to deleting estimated savings which had assumed that no funds would be provided for increased PHA and IHA personnel and related costs, and (b) deletes savings previously estimated for limiting subsidy payments for vacant units.

The outlay estimate has been revised to $1,337.0 million which is a $210.8 million increase from the estimate of $1,126.2 million included in the 1986 Budget. This increase primarily reflects the higher obligation estimate which is explained above.

EXPLANATION OF INCREASES AND DECREASES

The 1987 obligation estimate of $1,232.8 million is $127.6 million less than the 1986 current obligation estimate of $1,360.4 million. The 1987 estimate reflects the budget proposal to provide no additional funds for increases in PHA and IHA non-utility expenses and the impact of the funding decrease in 1987 due to the 1986 sequestration of funds pursuant to the Gramm-Rudman-Hollings Act.

PHA/IHA-owned units under management are estimated to increase by 14,500 units in 1987. This expected increase reflects the completion of nearly 18,000 units during 1987, partially offset by an estimated withdrawal of 3,000 units from the inventory where PHAs determine that units no longer are viable with respect to quality and economic feasibility. Budget outlays are estimated to decrease by approximately $40 million from $1,337 million currently estimated in 1986 to approximately $1,297 million in 1987. This projected decrease in outlays reflects the reduction in 1987 obligations compared with the 1986 current obligation estimate.

PROGRAM DESCRIPTION

Operating subsidies are provided to assist in financing the operation of PHA/IHA-owned dwellings under Section 9 of the Unites States Housing Act of 1937, as amended. Operating subsidies are required to help maintain services and provide minimum operating reserves. The Performance Funding System (PFS) formula is the primary system for determining operating subsidy requirements. It is used to calculate the level of operating subsidy for each PHA/IHA to operate its owned units, except for the PHAs of Alaska, Guam, Puerto Rico and the Virgin Islands, and the PHA-owned and IHA-owned Homeownership projects. The exceptions are due to the significantly different circumstances requiring HUD review of proposed operating budgets. The 1987 estimate is based on the following:

1. Performance Funding System. The Performance Funding System (PFS) has been used since 1975 to calculate the operating subsidies to be provided to each PHA/IHA to operate its owned projects. The subsidy amount is the difference between the estimate of operating costs that is calculated based on the PFS formula minus an estimate of income from rents and other sources.

Non-utility operating costs were established for each PHA/IHA in 1975 based on what it would cost a well-managed PHA/IHA of comparable location and characteristics to operate based on a PFS equation, including such variables as relative regional operating costs, average number of bedrooms per unit, average age of project buildings, and average height of project buildings. These cost levels are updated annually based on inflation and changes in the PHA/IHA characteristics included in the equation. Utility expenses are estimated separately based on rules that set consumption at the average of a prior three-year period ("rolling base") and changes in utility rates.

2. Economic Assumptions. The 1987 estimate reflects the most recent assumptions about inflation and tenant incomes. Also, the 1987 estimate assumes no additional funding for increases in non-utility costs and a 3.63 percent increase in utility rates. In addition, the estimate assumes that tenant incomes will increase by 3.7 percent in 1987 which would increase rental income by a comparable amount. The calculation of individual PHA/IHA subsidy requirements includes the use of an inflation factor which is a weighted average of State and local government costs (other than wages) and survey data on actual State and local government wages in the area where the PHA/IHA is located. However, additional operating subsidy funding will not be provided for this purpose in 1987.

Payments for Operation of Low-Income Housing Projects

3. Adjustments to Operating Subsidy Requirements. The 1987 estimate reflects adjustments in operating subsidy requirements based on recent legislation and procedural and regulatory changes affecting tenant rent payments and PHA/IHA operating costs. These adjustments are based on the following factors:

a. Income and Rent. The estimate reflects full implementation of 1981 legislation authorizing an increase of the maximum allowable rents to 30 percent of adjusted income in 1986. The estimate also reflects the definition of adjusted income as provided in the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181). The Budget assumes that no change in total rental income will occur due to implementation of that Act although rents may have been revised for individual families.

b. Utility Consumption. Current regulations require the use of a "rolling base" consumption level consisting of average consumption levels for the most recent three-year period. This reflects the savings accruing from the energy saving improvements financed prior to 1986 from the Public and Indian Housing Modernization program.

c. Vacancy Policy. The estimate for 1987 reflects increased subsidy requirements because PHA/IHA eligibility for PFS operating subsidies will be calculated on a 97 percent maximum occupancy level. This "vacancy policy" will provide an incentive to PHAs/IHAs to increase occupancy levels beyond that level since the additional rental income will not be considered in operating subsidy calculations.

d. Expense Levels. The 1987 estimate does not include additional funds for any increases in PHA/IHA non-utility operating expenses from 1986 to 1987. However, the Budget does provide full funding for increases in utility rates.

e. Inventory Reduction. The estimates assume that the inventory will be reduced by approximately 3,000 Public Housing units in 1987. The units anticipated to be removed from the inventory will be those that are obsolete because of their physical condition, location or other factors, or because their retention is not in the best interests of the residents or the PHAs.

f. Impact of Gramm-Rudman-Hollings Act. Funding requirements in 1987 will be reduced by $52.1 million due to the sequestration of budget authority in 1986 pursuant to the Gramm-Rudman-Hollings Act. This is reflected in the reduction of estimated unobligated funds that otherwise would have been available to be carried forward from 1986 for use in 1987.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

LOW-RENT PUBLIC HOUSING--LOANS AND OTHER EXPENSES
(Public and Indian Housing Loan Fund)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Temporary Loans					
New approvals in year	$1,951,777 a/	$2,000	$333,859	$2,000	-$331,859
Outstanding, end of year	19,982,374	3,475,927	5,492,356	5,391,056	-101,300
Limitation on outstanding Treasury borrowings	15,700,000	17,400,000	16,000,000	17,300,000 b/	+1,300,000 b/
Budget Authority c/					
Loan Fund	14,265,738	1,846,600	1,237,500	1,365,800	+128,300
Impact of legislative proposals	...	-24,700	-499,400	+355,700	+855,100
Net Budget Authority	14,265,738	1,821,900	738,100	1,721,500	+983,400
Budget Outlays					
Loan Fund	13,741,182	1,846,600	1,237,500	1,365,800	+128,300
FFB payments	144,230	141,879	141,900	140,700	-1,200
Impact of legislative proposals	...	-24,700	-499,400	+355,700	+855,100
Net Outlays	13,885,412	1,963,779	880,000	1,862,200	+982,200

a/ Includes $525,183 thousand of 1984 loan approvals recorded in 1985.
b/ Increase would not be necessary under proposed legislation to forgive outstanding debt.
c/ Reflects Treasury borrowings.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1987 Budget reflects the following:

a. The completed purchase of the balance of the outstanding inventory of short-term tax-exempt notes during 1985.

b. The availability of Federal direct loans to support development and modernization activities approved through 1986.

c. Proposed legislation which would change the method of financing Public and Indian Housing involving:

- forgiveness of outstanding Treasury borrowings starting in mid-1986;
- forgiveness of outstanding Public Housing Agency (PHA) and Indian Housing Authority (IHA) short-term borrowings from this account starting in mid-1986;
- recapture and rescission of unneeded Annual Contributions for Assisted Housing contract authority and budget authority provided for debt service on outstanding borrowings to be forgiven; and
- capital grant funding for contract amendments and modernization starting in 1987.

Low-Rent Public Housing--Loans and Other Expenses

These actions will have no impact on the $6.7 billion of outstanding permanently financed tax-exempt bonds or on the $2.1 billion of obligations sold in prior years to the Federal Financing Bank (FFB).

All of the $14 billion of short-term tax-exempt notes that were outstanding at the end of August 1984 were purchased by the Department by July 1985 pursuant to existing legislative authorization. In addition, $1.0 billion in Federal direct loans were provided in 1985 to support approved modernization and development, an additional $1.5 billion of loans are anticipated for 1986, and another $1.7 billion of loans are anticipated for 1987.

The table below presents the impact of Treasury debt forgiveness and cancellation of Annual Contributions Contract (ACC) debt service payments to be made to this account on Loan Fund budget authority requirements and outlays:

	1985	1986 (Dollars in Thousands)	1987
Forgiveness of interest on Treasury borrowing............	...	-$1,220,000	-$1,287,000
Cancellation of Debt Service payments.....................	...	+720,600	+1,642,700
Net impact on Loan Fund................................	...	-499,400	+355,700

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN THE 1986 BUDGET

A comparison of 1985 actual activity with estimates included in the 1986 Budget follows:

	FISCAL YEAR 1985		
	IN 1986 BUDGET	ACTUAL (Dollars in Thousands)	DIFFERENCE
Temporary Loans			
New approvals in year..........................	$1,989,923	$1,951,777	-$38,146
Outstanding, end of year........................	5,542,227	19,982,374	+14,440,147
Limitation on outstanding Treasury borrowings...	15,700,000	15,700,000	...
Budget Authority			
Loan Fund..	14,648,653	14,265,738	-382,915
Impact of proposed legislation..................	-350,500	...	+350,500
Net Budget Authority..........................	14,298,153	14,265,738	-32,415
Budget Outlays			
Loan Fund..	14,653,200	13,741,182	-912,018
FFB payment......................................	144,230	144,230	...
Impact of proposed legislation..................	-350,500	...	+350,500
Net Outlays......................................	14,446,930	13,885,412	-561,518

The decrease of $38.1 million in new approvals primarily reflects a $78 million lower level of 1984 loan approvals recorded in 1985 than originally estimated. The Treasury borrowing limitation in effect at the end of 1984 did not allow the Department to issue new loan approvals in September 1984. As a result, it was estimated that $603 million of such approvals would be recorded in 1985. However, the actual approvals recorded were $525.2 million, or $78 million less than projected. This decrease was offset partially by higher loan approvals for contract amendments because $300 million of budget authority was made available for this purpose in 1985 rather than $200 million of budget authority as shown in the 1986 Budget. The increase of $14.4 billion in the estimated outstanding balance of temporary loans at the end of 1985 occurred because the estimate in the 1986 Budget assumed forgiveness of outstanding borrowings to PHAs and IHAs. This forgiveness did not occur in 1985 because the required authorizing legislation was not enacted.

Low-Rent Public Housing--Loans and Other Expenses

The $382.9 million decrease in Loan Fund budget authority occurred primarily because of fewer outstanding tax-exempt note redemptions than had been anticipated and fewer loans for additional development and modernization activities. The $912 million decrease in Loan Fund outlays occurred due to lower actual outlays for loans to PHAs and IHAs and lower actual interest payments to the Treasury than had been estimated. There was no impact from new legislation as had been estimated inasmuch as the proposed legislation was not enacted.

3. CHANGES FROM 1986 BUDGET ESTIMATES

A comparison of 1986 currently estimated activity with estimates included in the 1986 Budget follows:

	FISCAL YEAR 1986		
	IN 1986 BUDGET	CURRENT ESTIMATE	DIFFERENCE
		(Dollars in Thousands)	
Temporary Loans			
New approvals in year	$2,000	$333,859	+$331,859
Outstanding, end of year	3,475,927	5,492,356	+2,016,429
Limitation on outstanding Treasury borrowings	17,400,000	16,000,000	-1,400,000
Budget Authority			
Loan Fund	1,846,600	1,237,500	-609,100
Impact of proposed legislation	-24,700	-499,400	-474,700
Net Budget Authority	1,821,900	738,100	-1,083,800
Budget Outlays			
Loan Fund	1,846,600	1,237,500	-609,100
FFB payment	141,879	141,900	+21
Impact of proposed legislation	-24,700	-499,400	-474,700
Net Outlays	1,963,779	880,000	-1,083,779

The increase of $331.9 million in new approvals reflects the reservation of an estimated 350 Public Housing units to meet the requirements of a court order, $200 million of budget authority for development contract amendments and $458.3 million of budget authority for emergency modernization based on the existing long-term (debt service) funding method. The 1986 Budget reflected no new unit reservations and only $2 million of new approvals for Administrative Loans. The increase of $2,016.4 million in the estimated outstanding balance of temporary loans at the end of 1986 reflects a higher balance of loans outstanding at the start of the year, a higher level of loan approvals now anticipated in 1986, a lower level of deobligations (recaptures) in 1986, and a lower level of direct loans now estimated to be forgiven through 1986 under proposed legislation.

The $1.4 billion lower limitation on outstanding Treasury borrowings at the end of 1986 reflects the lower borrowing needs for 1985 and 1986 and the higher level of debt service payments anticipated to be made from the "Subsidized Housing" account to this account. The $609.1 million decrease in both Loan Fund budget authority and outlay estimates for 1986 reflects the decreased borrowing from the Treasury now estimated for direct loans to PHAs and IHAs and lower interest payments to be made to the Treasury.

The revised impact of proposed legislation primarily reflects the date now assumed for the enactment of the legislation which will authorize the cancellation of debt service payments to be made to this account. It is expected that principal and interest payments will continue to be received from the "Subsidized Housing" account for half of the year thereby reducing net outlays in the Loan Fund, but raising "Subsidized Housing" outlays by a comparable amount.

Low-Rent Public Housing--Loans and Other Expenses

EXPLANATION OF INCREASES AND DECREASES

Loan Approvals. As a result of the new method being proposed in the Budget to finance Public and Indian Housing development and modernization, new loan approvals in 1987 are estimated to decrease from $333.9 million in 1986 to $2 million in 1987 in order to only fund estimated administrative loans to PHA/IHAs. In addition, funding would be provided in 1987 for an estimated $58.9 million of capital cost increases for contract amendments and $225 million of capital costs for emergency modernization needs. This funding would be provided directly from the "Subsidized Housing" appropriation and not from the Loan Fund. Therefore, loan approvals from the Loan Fund no longer would be necessary. New loan approvals, cancellations of loan approvals and outstanding approvals in 1985, 1986 and 1987 are as follows:

1985-1987 LOAN APPROVALS

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Outstanding Loan Approvals, start of year..........	$19,370,633	$19,982,374	$5,492,356
New Loan Approvals:			
Development:			
Public Housing..................................	295,603	25,368	...
Indian Housing..................................	116,507	...	...
Contract Amendments.............................	114,770	81,491	...
Accounting Adjustments..........................	76,791	...	...
Modernization...................................	822,921	225,000	...
Administrative Loans............................	...	2,000	2,000
1984 Loan Approvals recorded in 1985.............	525,185	...	...
Conversions/Cancellations:			
Liquidations and Adjustments-Including Unit recaptures....................................	-1,340,036	-112,200	-24,500
Direct Loans forgiven............................	...	-14,711,677	-78,800
Outstanding Loan Approvals, end of year............	19,982,374	5,492,356	5,391,056

Limitation on Treasury Borrowings. If authorization for Treasury debt forgiveness is not enacted, the limitation on Treasury borrowings will have to be increased to $17.3 billion in 1987 to accommodate the additional funding that would be required to finance continuing development and modernization activities as well as interest on Treasury borrowing. If the proposed legislation is enacted, no further increases in the limitation would be necessary.

Budget Authority. For 1987, a total of $1,721.5 million of budget authority is estimated based on anticipated borrowings from the Treasury needed to support continuing development and modernization activities. Although these borrowings also would be forgiven under the legislative proposal, they still would be counted as budget authority. Budget authority requirements for 1987 also reflect a $355.7 million net increase resulting from the cancellation of $1,642.7 million of debt service payments to this account which would be offset partially by $1,287 million of interest payments to the Treasury that would be forgiven.

Outlays. Total outlays are expected to increase from $880 million in 1986 to $1,862.2 million in 1987. The outlays in 1987 reflect (1) continued borrowing from the Treasury, (2) Federal direct loans to PHAs and IHAs to support continuing development and modernization activities, and (3) the impact of the legislative proposals. Estimated outlays in 1987 also reflect interest differential payments of $140.7 million to the FFB for sales made through 1984.

Low-Rent Public Housing--Loans and Other Expenses

PROGRAM DESCRIPTION

The Low Rent Public Housing Loan Fund has been used to provide Federal financing for the construction, acquisition, or modernization of Public and Indian Housing projects owned by PHAs and IHAs until projects could be permanently financed. Historically, financing for such new projects was with 20- to 40- year Federal commitments to make annual contributions (debt service payments) for principal and interest on tax-exempt notes, bonds sold in the private market, and on permanent notes sold to the Federal Financing Bank. Sales of bonds in the private market were discontinued in June 1974 and sales of permanent notes to the Federal Financing Bank ceased in December 1983. Until September 1984, project notes issued by the PHAs and IHAs were sold in the private market and were refinanced ("rolled over") in the private market as they became due. Since September 1984, Treasury borrowings have been used to redeem maturing notes and to finance new funding requirements. The Budget proposes that financing be accomplished with capital grants to be provided to PHAs and IHAs from the "Subsidized Housing" appropriation starting in 1987.

Project Notes and Direct Loans. Prior to 1985, the Loan Fund was used to provide direct Federal short-term loans to PHAs and IHAs on an interim basis until notes could be sold in the private market. These loans were extended (1) during the early stages of development or modernization and prior to the issuance of Federally guaranteed PHA and IHA short-term tax-exempt notes issued in the private market (the proceeds of which were used to repay the direct loans and to finance further development and modernization costs), and (2) when private market conditions precluded the PHAs and IHAs from issuing new notes or refinancing outstanding guaranteed short-term notes.

Short-term project notes issued prior to the enactment of the Deficit Reduction Act of 1984 on June, 19, 1984 were tax-exempt. Since then, the marketable assurance of the tax-exempt status of note issues requires a determination by the Internal Revenue Service. As a result, the Department had to borrow from the Treasury between September 1984 and July 1985 to redeem outstanding short-term notes as they matured and to finance development and modernization activities during that period. Development and modernization activities continue to be funded with direct loans which are financed with Treasury borrowings pending the enactment of the legislative proposal to provide for direct capital grants from appropriations.

Loan Approvals. Because bonds have not been sold in the private market since 1974 and the Public and Indian Housing development and modernization activities have continued, the level of outstanding loan approvals also has continued to increase reaching a level of $20 billion at the end of 1985. The 1987 Budget reflects the proposed replacement of private financing which consisted of short-term notes and long-term bonds or long-term financing through the FFB with capital grants to be provided to PHAs/IHAs using borrowings from the Treasury and the proposed forgiveness of these borrowings starting in 1987. Therefore, the 1987 Budget projects that outstanding loan approvals will decrease to approximately $5.4 billion by the end of 1987.

Debt Liquidation. Debt service payments (Annual Contributions) to liquidate/amortize the indebtedness on the bonds and notes for the construction, acquisition, or modernization of Public and Indian Housing projects are payable pursuant to the contracts that the Department has entered into with the respective PHAs/IHAs that own the projects. These funds now are provided from the "Subsidized Housing" accounts which are discussed in the Housing section of these Justifications. Additional funding was provided from budget authority transferred to this account from the "Subsidized Housing" accounts. This is used to to make periodic payments directly to the FFB to cover the interest differential between selling tax-exempt bonds to the public and selling instruments to the FFB at a Federally-taxable interest rate in accordance with Section 16 of the Federal Financing Bank Act of 1973.

Financing Reform. The Department is proposing legislation that would amend the U.S. Housing Act of 1937 to authorize a major change in the method the Federal government uses to pay for Public and Indian Housing development and modernization. Under the proposed legislation, the Department would provide capital grants to fund the cost of projects in lieu of the current method of amortizing capital costs over a 20- to 30- year period. The proposed change would apply to all activity to be financed in 1987 and subsequent years.

The direct financing of Public and Indian Housing projects under the proposal would (1) limit the growth of tax-exempt financing, (2) eliminate interest costs, and (3) directly fund the total capital costs for these projects rather than amortizing the costs as outlays and tax expenditures over long periods of time. In addition, the Department and the PHAs/IHAs would be able to save on accounting and other administrative costs related to servicing loans under the current system.

Low-Rent Public Housing--Loans and Other Expenses

Adoption of this new financing method would simplify the mechanism used to finance development and modernization activities, but would not affect program levels. The proposed method would not have a substantive impact on Public and Indian Housing projects because the change neither would affect the responsibilities of IHAs/PHAs to maintain the low-income character of the projects nor the eligibility of projects for operating subsidies.

This proposed new financing method would be applicable to three categories of development and modernization activities as follows:

1. The first category would include development and modernization funded prior to 1987 where the activity has been completed, but not yet permanently financed. The temporary tax-exempt notes that financed these activities already have been redeemed and the existing annual debt service payment requirements would be eliminated under the proposed legislation. Treasury borrowings have been utilized to repurchase the notes and both the borrowing from the Treasury and the PHAs/IHAs indebtedness for these activities also would be forgiven under the proposed legislation. The Department then would recapture and rescind the unliquidated budget authority and related contract authority resulting from the cancellation of annual debt service payment requirements.

2. The second category would include development and modernization funded prior to 1987 where development projects are still in the preconstruction or construction pipelines and modernization has not been completed. All notes applicable to these activities have been redeemed utilizing Treasury borrowings and HUD will continue to borrow from the Treasury to finance these activities until completed. The Budget reflects the Department's legislative proposals and assumes that the Treasury borrowing and PHA/IHA indebtedness that has been incurred would be forgiven during 1986 and at the end of each applicable fiscal year thereafter. As in the first category, unneeded budget authority and related contract authority would be recaptured and rescinded.

3. The third category would include development amendments and modernization to be funded with new budget authority starting in 1987. These activities would be funded as capital grants from the "Subsidized Housing" account.

The Treasury loans to the Department are to be forgiven annually under this proposal. However, PHA and IHA indebtedness to HUD would be forgiven at a time deemed appropriate by the Secretary once the actual total development costs for projects have been determined.

The total short-term, tax-exempt project note inventory (which totaled almost $14.0 billion in June 1984) was redeemed in 1985. Budget authority (representing a 40-year Federal commitment in some cases) to be recaptured and rescinded under the legislative proposal is estimated at $22 billion in 1986 and another $6 billion in 1987.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986 and 1987.

BUDGET ACTIVITY 2: PUBLIC AND INDIAN HOUSING

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Total Budget Activity....................	$41,159	$46,293	$44,975	$46,669	+$1,694
Full-Time Permanent Appointments, End of Year............................	1,054	1,030	1,028	1,028	...
Full-Time Equivalents....................	1,088.5	1,098.4	1,090.6	1,087.6	-3.0
Staff-Years..............................	1,105.3	1,113.3	1,104.0	1,103.4	-.6

SUMMARY OF BUDGET REQUEST

The 1987 request is for $46,669 thousand and 1,028 positions, or an increase of $1,694 thousand from 1986 levels. No change in positions is projected from 1986 to 1987.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Personal Services........................	$37,387	$39,553	$38,253	$39,084	+$831
Travel and Transportation of Persons.....	821	1,219	939	991	+52
Transportation of Things.................	51	49	59	59	...
Rent, Communications and Utilities.......	743	761	801	830	+29
Printing and Reproduction................	307	386	242	308	+66
Other Services...........................	1,417	3,737	4,239	4,926	+687
Contracts................................	(25)	(1,658)	(1,439)	(1,585)	(+146)
ADP Services.............................	(1,092)	(1,707)	(2,376)	(2,857)	(+481)
Supplies and Materials...................	281	265	299	339	+40
Equipment................................	146	318	138	127	-11
Insurance and Indemnities................	6	5	5	5	...
Total....................................	41,159	46,293	44,975	46,669	+1,694

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The 1985 actual obligations of $41,159 thousand are $5,235 thousand less than the previous estimate of $46,394 thousand. The net savings is attributable principally to a reduction of $4,273 thousand in actual personal services costs coupled with reduced costs in other categories such as automated data processing (ADP) services and equipment.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$46,293
Add amendment to restore proposed five percent pay reduction	+1,808
Add action by the Congress on the 1986 request for "Salaries and Expenses"	+3,450
Add cost of functional transfer	+92
Deduct effect of general repricing	-3,200
Deduct mandated funding reduction	-3,468
Current 1986 estimate	44,975

The changes to the funding requirements for 1986 are the result of the following:

— a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $1,808 thousand;

— the addition by the Congress of 97 staff-years in support of and concurrent with approval by the Congress of higher program levels than requested in the Budget requires an increase of $3,450 thousand;

— the transfer of two positions from Housing consistent with the transfer of responsibility for the Section 23 Leased Housing Program requires an increase $92 thousand;

— a reassessment of funding needs based on more recent cost and requirement data results in a reduction of $3,200 thousand. The decrease consists of:

— $2,764 thousand in personal services costs which reflects current average salary and benefits data;

— $436 thousand in support costs, principally for travel and equipment procurement; and

— this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $3,468 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$41,159	$44,975
Changes to terminal leave and severance pay	+38	+149
Changes to average employment	-43	-23
Changes to average personal services costs	+871	+705
Changes to automated data processing costs	+1,284	+481
Changes to contracts	+1,414	+146
Changes to all other costs	+252	+236
Total obligations	44,975	46,669

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

There are net increases of $866 thousand to personal services costs in 1986 and $831 thousand in 1987. The changes are due to the following:

- changes in terminal leave and severance pay result in increases of $38 thousand in 1986 and $149 thousand in 1987;
- changes in average employment result in decreases of $43 thousand in 1986 and $23 thousand in 1987; and
- changes in average salary and benefit costs result in increases of $871 thousand in 1986 and $705 thousand in 1987.

There are net increases in non-personal services costs of $2,950 thousand in 1986 and $863 thousand in 1987. The changes reflect the following:

- Costs of automated data processing services are estimated to increase $1,284 thousand in 1986 and $481 thousand in 1987. The increases principally are associated with automating existing manual processes, including the development of microcomputer applications, and the development of systems to support the Modernization (Comprehensive Improvement Assistance Program) and Operating Subsidy programs.
- An increase of $1,414 thousand for contracts is anticipated for 1986 and a further increase of $146 thousand is projected for 1987. The net increase in 1987 is primarily for contractual support required to provide assistance to troubled Public Housing Agencies (PHAs) and troubled Indian Housing Authorities (IHAs) that are experiencing management problems, including on-site corrective assistance as appropriate. This item is discussed in greater detail in the following section.
- Changes for all other items such as travel, printing, and supplies are estimated to result in net increases of $252 thousand in 1986 and $236 thousand in 1987.

4. **CONTRACTS**

Funds for contracts are for needs unique to the Public and Indian Housing programs. The following table identifies the specific contracts and is followed by a brief description of the two contracts for which funds are needed in 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Technical Services					
Actuarial Services..................	$5	$33	$33	$35	+$2
Troubled PHA/IHA Management Assistance..........................	..	1,550	1,331	1,550	+219
Troubled PHA/IHA Financial Model....	20	...	...	...	..
Subtotal..........................	25	1,583	1,364	1,585	+221
Training Contracts, Non-Federal Staff					
Indian Housing Authorities Training and Technical Assistance..	...	75	75	...	-75
Total............................	25	1,658	1,439	1,585	+146

a. Actuarial Services.. $35 Thousand

These funds are needed to continue ongoing contractual services for actuarial and other technical life/health and property/casualty insurance services for PHAs and IHAs. The funds are used to obtain the services of qualified actuaries and consultants to ensure that actuarial and technical aspects of PHA/IHA plans conform with generally accepted insurance principles and practices. This information is vital to assure compliance with HUD policy.

b. Troubled PHA/IHA Management Assistance.............................. $1,550 Thousand

These funds are required to continue contractual services to conduct management or specific functional reviews of troubled PHAs, to assist troubled IHAs, and/or to provide on-site implementation of corrective actions to PHAs/IHAs. The type of assistance to be provided will include special expertise in complex and highly technical areas such as engineering and utilities, financial management and controls, and security. The results of the reviews will give both the PHAs and the Department the basis upon which remedial improvements can be initiated. In addition, the reviews will provide the contractor(s) with the information necessary to assist with implementing improvements or other actions. It is expected that contract assistance will produce substantial savings to the Federal Government in terms of more efficient and economical PHA/IHA operations. The reduction of $219 thousand in the current estimate from the budget estimate of $1,550 thousand is due to the 4.3 percent Gramm-Rudman-Hollings sequestration and a 10 percent reduction required by Section 515 of the 1986 Treasury, Postal Service and General Government Appropriations Act (P.L. 99-190).

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Public and Indian Housing (PIH) staff is responsible for performing functions pursuant to legislation which authorizes the Department to enter into contracts for the development, modernization and operation of projects for occupancy by low-income households. The principal legislative authorization for PIH activities is the U.S. Housing Act of 1937, as amended. That legislation authorizes payments to local PHAs/IHAs to assist in financing the development and operation of Public Housing and Indian Housing dwellings for low-income households. It also authorizes the Comprehensive Improvement Assistance Program (CIAP) under which funding assistance is provided to PHAs/IHAs for the modernization of their facillities and for major repairs.

The principal functions conducted by PIH staff are as follows:

-- performing pre-application and other activities through to construction completion, execution and closing of contracts, and performing inspections to avoid defects;

-- participating in the analysis, review, and evaluation of Public Housing and Indian Housing projects during the construction and occupancy stages;

-- providing guidance and expertise in the management and modernization of Public Housing and Indian Housing projects, including issuing instructions, monitoring the effectiveness of PHA and IHA management and the use of operating subsidies through the PHA/IHA operating budget review process;

-- conducting periodic management reviews of the Public Housing and Indian Housing programs covering such areas as: (1) income recertifications, (2) occupancy audits, (3) financial reviews, (4) engineering surveys, (5) maintenance inspections, 6) administrative practices, and (7) rent determinations; and

-- identifying troubled PHAs/IHAs and assisting in the development of work-out plans to assure long-range financial and operational viability.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

2. PROGRAM ACTIVITY/WORKLOAD

Field staff requirements are related primarily to Public Housing and Indian Housing development and management activities which are listed on the previous pages. A summary of the key program activity/workload follows:

SUMMARY OF PROGRAM ACTIVITY/WORKLOAD

PROGRAM ACTIVITY/WORKLOAD	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
DEVELOPMENT ACTIVITIES			
Public Housing Program (units)			
Pipeline, Start of Year:			
Outstanding Reservations	18,260	13,324	3,674
Under Construction	38,945	30,037	22,037
Program Activity in Year:			
Reservations	5,448	350	...
Starts	7,714	8,000	3,000
Completions	16,796 a/	16,000	15,000
Indian Housing Program (units)			
Pipeline, Start of Year:			
Outstanding Reservations	9,233	7,777	4,824
Under Construction	3,048	3,996	3,996
Program Activity in Year:			
Reservations	2,178	...	...
Starts	3,419	2,800	2,500
Completions	2,471	2,800	2,800
MANAGEMENT ACTIVITIES			
Public Housing Program, Start of Year			
PHAs with units under management	3,046	3,077	3,109
Projects under management	11,503	11,894	12,020
PHA-owned units under management	1,257,723	1,270,829	1,284,000
Indian Housing Program, Start of Year			
IHAs with units under management	165	166	167
Projects under management	1,495	1,577	1,657
IHA-owned units under management	52,452	54,923	58,000

a/ Includes 174 existing housing units made available for occupancy.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters	128	131	128	128	...
Field	926	899	900	900	...
Total	1,054	1,030	1,028	1,028	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters	131.5	140.3	142.9	143.2	+0.3
Field	973.8	973.0	961.1	960.2	-0.9
Total	1,105.3	1,113.3	1,104.0	1,103.4	-0.6

No changes in positions are estimated for 1987 compared with 1986. The decrease in the Headquarters staff for 1986 shown in the current estimates compared with the budget estimates reflects the impact of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings Act). The net increase of one position in the field for 1986 reflects the reduced requirement for staff for development activities which is more than offset by increased staff requirements for management activities.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	1,062.1	1,076.6	1,073.6
Temporary and Part-Time Employees	30.0	16.4	16.4
Overtime	4.8	3.0	3.0
Terminal Leave	8.4	8.0	10.4
Total Staff-Years	1,105.3	1,104.0	1,103.4

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary and intermittent employment and special employment programs for the handicapped, Vietnam veterans and college students employed during the summer.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

EXPLANATION OF STAFFING REQUIREMENTS

1. HEADQUARTERS EMPLOYMENT

The 1986 current estimates reflect a recent reorganization as well as a decrease of 3 positions and an increase of 2 staff-years compared with the 1986 budget estimates. No further staffing change is proposed for 1987. The following table indicates the distribution of full-time permanent appointments and staff-years for the PIH Headquarters offices.

OFFICE	FULL-TIME PERMANENT APPOINTMENTS ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Assistant Secretary........................	13	15	21	21	...
Policy and Administration.................	16	20	NA	NA	NA
Finance and Budget.........................	16	13	NA	NA	NA
Finance and Management....................	NA	NA	24	24	...
Indian Housing.............................	12	12	12	12	...
Public Housing.............................	71	71	71	71	...
Total Full-Time Permanent Appointments, End of Year..............	128	131	128	128	...

OFFICE	STAFF-YEARS ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Assistant Secretary........................	13.0	16.0	23.0	23.0	...
Policy and Administration.................	16.0	21.0	NA	NA	NA
Finance and Budget.........................	16.0	14.0	NA	NA	NA
Finance and Management....................	NA	NA	28.0	28.0	...
Indian Housing.............................	12.5	13.0	13.0	13.0	...
Public Housing.............................	73.0	76.0	78.0	78.0	...
Subtotal, Public and Indian Housing.....	130.5	140.0	142.0	142.0	...
Terminal Leave Requirements...............	1.0	0.3	0.9	1.2	+0.3
Total Staff-Years..........................	131.5	140.3	142.9	143.2	+0.3

The Headquarters staff performs the following principal functions in support of Public and Indian Housing goals:

— develops program and policy recommendations for all PIH programs;

— directs and coordinates the administration of all PIH programs and provides technical assistance and procedural guidance to the field staff;

— monitors, reviews, and evaluates field program operations and reviews administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended; and

— provides financing assistance to local agencies, and administrative, management, statistical and budget support.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

2. FIELD OFFICE EMPLOYMENT

A net increase of one position for a total of 900 positions currently is projected for programs in the Field Offices for 1986 compared with the 1986 budget estimate of 899 positions. No further change is estimated for 1987. The estimates reflect projected workload based on the program assumptions in the Budget which include a partial moratorium in 1986-1987 on modernization funding and the termination of new program reservations beginning in 1986. This will result in a continuing decrease in the Public and Indian Housing development and modernization workloads. However, this will be offset entirely due to increases in Public Housing and Indian Housing general program management workloads as units are completed and placed under management.

The Department has developed and implemented a productivity-based system for establishing field staffing levels known as the Resources Allocation Guidelines System (RAGS). The following table indicates the distribution of field staff for full-time permanent appointments and staff-years by broad functional area. This is followed by an explanation of staff functions and tables which identify key development and management activities/workload which are the basis for RAGS.

	FULL-TIME PERMANENT APPOINTMENTS				
PROGRAM ACTIVITY	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Public Housing:					
Development Activities............	160	186	155	115	-40
Management Activities.............	610	545	595	630	+35
Subtotal, Public Housing........	770	731	750	745	-5
Indian Housing:					
Development Activities............	78	112	74	71	-3
Management Activities.............	78	56	76	84	+8
Subtotal, Indian Housing........	156	168	150	155	+5
Total Full-Time Permanent Appointments, End of Year......	926	899	900	900	...

	STAFF-YEARS				
PROGRAM ACTIVITY	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Public Housing:					
Development Activities............	167.0	201.0	164.0	121.0	-43.0
Management Activities.............	637.4	588.0	631.0	666.0	+35.0
Subtotal, Public Housing........	804.4	789.0	795.0	787.0	-8.0
Indian Housing:					
Development Activities............	81.0	121.0	78.0	75.0	-3.0
Management Activities.............	81.0	60.0	81.0	89.0	+8.0
Subtotal, Indian Housing........	162.0	181.0	159.0	164.0	+5.0
Subtotal, Public and Indian Housing..................	966.4	970.0	954.0	951.0	-3.0
Terminal Leave Requirements.........	7.4	3.0	7.1	9.2	+2.1
Total Staff-Years................	973.8	973.0	961.1	960.2	-0.9

a. Development Staff. The Public and Indian Housing development staffs work directly with PHAs/IHAs and other governmental entities in the preparation, review, and approval of applications for funding assistance. Staff activities begin with the initial inquiry about obtaining program assistance and continue through the review and approval of the application, the execution of assistance contracts and/or amendments, inspection, and completion of construction and/or acquisition. These activities are designed to ensure protection of the Federal investment. The principal types of professionals employed and their related major functions follow:

Construction analysts/architects examine project sites and advise designers about the preparation of construction contract documents submitted in conjunction with applications for the Public Housing and Indian Housing programs, respectively. They also monitor construction contract administration for Public Housing and Indian Housing projects. Assistance to the PHAs/IHAs and their consultants also is provided covering contract compliance, budgetary and insurance issues, contract disputes and delays, contract settlement and acceptance of work, and other related subjects.

Cost analysts are responsible for the development and maintenance of construction cost data for projects. These personnel advise and assist PHAs/IHAs on technical matters regarding construction costs, analyze construction cost data, and select prevailing prices for use in making replacement cost estimates. They also prepare quality analyses and construction cost comparisons which reflect locality adjustment percentages for periodic cost reports.

Engineers provide direct assistance and consultation to construction analysts/architects on complex mechanical, electrical, structural, civil or sanitary engineering problems, as appropriate.

Financial analysts determine the financial feasibility of applications for assistance and the financing requirements of PHAs/IHAs for development. Using information that has been developed by other HUD staff, they determine whether the proposed development is a sound financial undertaking for the particular program. They ensure that PHAs/IHAs have sufficient funds for project development.

Appraisers make real estate appraisals of vacant sites and existing improvements in conjunction with applications for Public and Indian Housing. They also complete environmental evaluation reports for proposed sites and provide assistance to PHAs/IHAs in connection with land options and purchases.

Field staff also are responsible for coordinating the allocation and commitment of Public and Indian Housing contract/budget/loan authority. Responsibilities include reviewing applications from PHAs/IHAs, providing technical assistance to PHAs/IHAs in the preparation of applications and in subsequent development steps, reviewing PHA/IHA submissions, reserving authority and executing Annual Contributions Contracts. In 1986 and 1987, the Public and Indian Housing development staffs will be responsible for post-approval processing. They will continue to place considerable emphasis on expediting the review of Public and Indian Housing projects under development and terminating project development where PHAs/IHAs are unable to demonstrate adequate progress in reaching completion.

The following table indicates the 1985 actual key development activities and the estimated activities for 1986 and 1987:

DEVELOPMENT ACTIVITY

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Public Housing			
Units in process, start of year	57,205	43,361	25,711
Units started	7,714	8,000	3,000
Units completed	16,796	16,000	15,000
Indian Housing			
Units in process, start of year	12,201	11,773	8,820
Units started	3,419	2,800	2,500
Units completed	2,471	2,800	2,800

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

Staff associated with Public Housing and Indian Housing workloads in 1986 and 1987 are
expected to decline based on the anticipated decrease in program activities. The details of the
Public and Indian Housing field staff requirements based on the Resource Allocation Guidelines System
(RAGS) are shown in the table at the end of this section.

b. Management Staff. The first objective of the management staff in the Field Offices is to
preserve the quality and fiscal integrity of the Public and Indian Housing projects. Field staff have
oversight responsibility for management functions, including Modernization (CIAP) activities, mainte-
nance and engineering functions, and approval of Operating Subsidies as explained in the "Annual Contri-
butions for Assisted Housing," "Housing Payments," "Payments for Operation of Low-Income Housing
Projects," and the "Low-Rent Public Housing Loans" sections of these Justifications. In addition to
assisting in developing special work-out programs aimed at correcting major problems in troubled
PHAs/IHAs (e.g., severe financial or rehabilitation needs), functions include overall responsibility
for ensuring that housing management activities such as financial, physical, social and management
policies and procedures are met during and immediately after the development stages to help eliminate
the causes of many subsequent management problems.

Other management activities include the review of PHA/IHA operations, operating budgets,
administrative and management plans, general management feasibility, management criteria for project
selection, leases, rent-up, and initial operating plans. In addition, the staff monitor program
activities, including management and financial practices and procedures, and conduct on-site in-
spections of projects.

The management staff also provides training, technical advice and assistance to PHAs/IHAs
about general management, maintenance and engineering, HUD accounting and financial policies, pro-
cedures, and reporting requirements as well as supply management and insurance. Functions also
include reviewing accounting system proposals of fee contract accountants and data processing firms
and assisting new PHAs/IHAs to establish accounting and financial reporting systems.

Housing management officers are the primary contact with PHAs/IHAs with respect to Public
and Indian Housing management activities. They provide technical assistance to PHAs/IHAs concerning
general management and administrative functions, including advice on staffing, personnel policies,
procurement, insurance, training, rent collections, vacancy problems, vandalism and crime prevention,
and modernization programs. They also conduct periodic management reviews and secure correction of
their findings. In addition, they are responsible for promoting the effective and efficient operation
of the PHAs/IHAs and for coordinating all Public and Indian Housing management specialist activities.

Financial management analysts are responsible for financial management, budgeting, and
fiscal control of projects, including the review of: the financial feasibility of proposed projects;
Public and Indian Housing Modernization financing; PHA/IHA operating budget proposals (including
determination of Public and Indian Housing Operating Subsidies); operating budget revisions; and
financial statements. The financial management analysts also conduct on-site PHA/IHA financial
management reviews and surveys.

Occupancy specialists review and monitor HUD rental and occupancy policies and procedures
for projects and make appropriate recommendations to PHA/IHA management. This involves reviewing and
monitoring initial occupancy plans, rent schedules, income limits, leases, tenant eligibility, and
income certifications; and the conduct of occupancy reviews and audits. Special emphasis is placed
on HUD policies and standards in areas such as lease and grievance procedures, tenant selection, and
rent and income criteria.

Maintenance engineers are responsible for physical plant maintenance, safety, and energy
policies at all stages of development and especially during the management operations phase. They
review maintenance plans and the organization and staffing of maintenance activities and perform
periodic reviews of maintenance operations and the physical condition of properties through on-site
inspections. These specialists also have the major technical responsibility for the planning and
execution of the Modernization (CIAP) Program.

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

Utility specialists have the responsibility for ensuring that efficient and economic utility services are provided to projects. Special attention is focused on energy supply problems and conservation measures. Functions include the establishment of prototype utility arrangements, review of utility services selection during the development stages, evaluation of utility operations, and coordination of utility requirements with public service commissions.

The following table indicates the 1985 actual key management activities and the estimated activities for 1986 and 1987:

MANAGEMENT ACTIVITY

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Public Housing			
PHA-owned units under management, start of year......	1,257,723	1,270,829	1,284,000
Modernization (CIAP) projects during year............	11,551	10,867	8,817
Indian Housing			
IHA-owned units under management, start of year......	52,452	54,923	58,000
Modernization (CIAP) projects during year............	830	540	414

Staff associated with management functions increase in 1987 as a result of increases in general program management workload. The details of the Public and Indian Housing field staffing requirements based on the Resource Allocation Guidelines System (RAGS) are shown in the table on the next page.

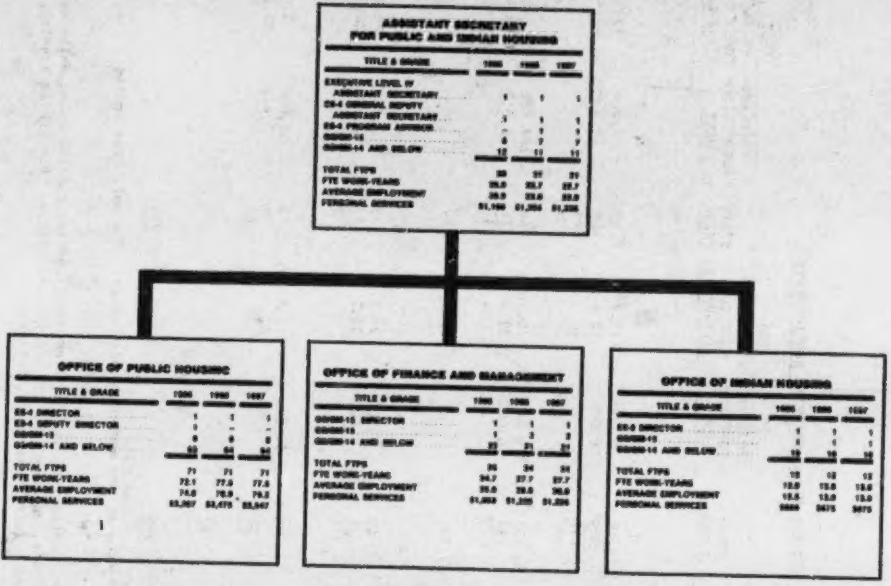
DETAIL OF PUBLIC AND INDIAN HOUSING FIELD STAFFING REQUIREMENTS

RESOURCE ALLOCATION GUIDELINES	INDICATOR (WORK UNIT)	1985 ACTUAL ACCOMPLISH-MENT	1985 ACTUAL UNIT COST (STAFF-HOURS)	1985 STAFF-YEARS	1986 PROJECTED ACCOMPLISH-MENT	1986 PROJECTED UNIT COST (STAFF-HOURS)	1986 STAFF-YEARS	1987 PROJECTED ACCOMPLISH-MENT	1987 PROJECTED UNIT COST (STAFF-HOURS)	1987 STAFF-YEARS
PUBLIC HOUSING										
Development:										
Starts....................	Units	7,714	15.7	58	8,000	15.7	60	3,000	15.7	23
Completions................	Units	16,796	13.6	109	16,000	13.6	104	15,000	13.6	98
Subtotal, Development....				167			164			121
Management:										
General Program Management a/	Units	1,257,723	0.76	455	1,270,829	0.76	460	1,284,000	0.86	527
Modernization/CIAP Management	Projects	11,551	32.9	182	10,867	32.9	171	8,817	32.9	139
Subtotal, Management.....				637			631			666
Total, Public Housing....				804			795			787
INDIAN HOUSING										
Development:										
Starts....................	Units	3,419	26.3	43	2,800	26.3	35	2,500	26.3	32
Completions................	Units	2,471	32.1	38	2,800	32.1	43	2,800	32.1	43
Subtotal, Development....				81			78			75
Management:										
General Program Management a/	Units	52,452	2.7	68	54,923	2.8	73	58,000	3.0	83
Modernization/CIAP Management	Projects	830	32.7	13	540	32.7	8	414	32.7	6
Subtotal, Management.....				81			81			89
Total, Indian Housing....				162			159			164
GRAND TOTAL, PUBLIC AND INDIAN HOUSING..........				966			954			951

NOTE: A staff-year equals 2,088 hours. Totals have been rounded to the nearest whole number. The unit cost reflects staff-hours per work unit, including related training activities.

a/ Includes management input to development for units under construction and required functions for PHA/IHA-owned units under management, including occupancy services, financial analysis, engineering, and utility activities. For Indian Housing, it also includes functions related to Indian Housing manufactured/modular housing initiatives.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC AND INDIAN HOUSING
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

TITLE & GRADE	1995	1996	1997
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-4 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 PROGRAM ADVISOR	–	1	1
GS/GM-15	6	7	7
GS/GM-14 AND BELOW	12	11	11
TOTAL FTPS	20	21	21
FTE WORK-YEARS	25.0	22.7	22.7
AVERAGE EMPLOYMENT	20.0	23.0	22.0
PERSONAL SERVICES	$1,166	$1,204	$1,236

OFFICE OF PUBLIC HOUSING

TITLE & GRADE	1995	1996	1997
ES-4 DIRECTOR	1	1	1
ES-4 DEPUTY DIRECTOR	1	–	–
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	63	64	64
TOTAL FTPS	71	71	71
FTE WORK-YEARS	72.1	77.6	77.6
AVERAGE EMPLOYMENT	74.0	76.9	76.2
PERSONAL SERVICES	$3,067	$3,475	$3,547

OFFICE OF FINANCE AND MANAGEMENT

TITLE & GRADE	1995	1996	1997
GS/GM-15 DIRECTOR	1	1	1
GS/GM-15	1	2	2
GS/GM-14 AND BELOW	23	21	21
TOTAL FTPS	25	24	24
FTE WORK-YEARS	24.7	27.7	27.7
AVERAGE EMPLOYMENT	25.0	28.0	28.6
PERSONAL SERVICES	$1,050	$1,225	$1,226

OFFICE OF INDIAN HOUSING

TITLE & GRADE	1995	1996	1997
ES-5 DIRECTOR	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	10	10	10
TOTAL FTPS	12	12	12
FTE WORK-YEARS	12.0	13.0	13.0
AVERAGE EMPLOYMENT	12.5	13.0	13.0
PERSONAL SERVICES	$666	$675	$675

SUMMARY
PUBLIC AND INDIAN HOUSING

TITLE & GRADE	1995 HQ	1995 FIELD	1995 TOTAL	1996 HQ	1996 FIELD	1996 TOTAL	1997 HQ	1997 FIELD	1997 TOTAL
EXECUTIVE LEVEL IV	1	–	1	1	–	1	1	–	1
ES-4	3	–	3	3	–	3	3	–	3
ES-5	1	–	1	1	–	1	1	–	1
GS/GM-15	15	12	27	17	13	30	17	13	30
GS/GM-14 AND BELOW	108	914	1,022	106	887	993	105	887	993
TOTAL FTPS	128	926	1,054	128	900	1,028	128	900	1,028
FTE WORK-YEARS	136.8	903.7	1,040.5	145.0	940.7	1,085.0	146.0	919.7	1,067.0
AVERAGE EMPLOYMENT	131.5	973.0	1,105.3	142.9	951.1	1,094.0	143.2	962.2	1,105.4
PERSONAL SERVICES	$6,153	$31,366	$37,357	$6,716	$31,945	$38,662	$6,792	$32,302	$39,094

PUBLIC AND INDIAN HOUSING
FIELD OFFICES

TITLE & GRADE	1995	1996	1997
GS/GM-15	12	13	13
GS/GM-14 AND BELOW	914	887	887
TOTAL FTPS	926	900	900
FTE WORK-YEARS	903.7	940.7	919.7
AVERAGE EMPLOYMENT	973.0	951.1	962.2
PERSONAL SERVICES	$31,366	$31,945	$32,302

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

GUARANTEES OF MORTGAGE-BACKED SECURITIES

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

Program Levels	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Limitation on Credit Commitments:					
Enacted or Requested.	$68,250,000	$68,250,000	$68,250,000	$68,250,000	...
Sequestration........	...	...	-2,934,750	...	+$2,934,750
Total Limitation on Credit Commitments.	68,250,000	68,250,000	65,315,250	68,250,000	+$2,934,750
Guarantee Commitments Issued in Year.......	54,597,400	51,110,000	60,463,480	55,356,880	-$5,106,600
Guarantees Issued in Year..................	36,277,174	36,500,000	43,188,200	39,540,628	-3,647,572
Guaranteed Securities Outstanding..........	201,025,661	233,939,265	234,680,568	265,458,085	+30,777,517
Budget Outlays.........	-234,009	-298,275	-268,029	-323,794	-55,765

SUMMARY OF BUDGET ESTIMATE

1. SUMMARY OF BUDGET REQUEST

The Budget proposes a limitation on new commitments of $68,250 million for 1987. The guarantee commitment and guarantee issue levels of $55,357 million and $39,541 million, respectively, are based on FHA and VA estimates of mortgage insurance and guarantee activity.

The Budget also reflects guarantee fee increases as follows: (1) A nine basis point increase (from six basis points to fifteen basis points) in guarantee fees for the basic MBS program to take effect in 1987; and (2) A five basis point increase (from fifteen basis points to twenty basis points) in guarantee fees for the basic MBS program to take effect in 1988. The fee increases are to gradually bring GNMA's guarantee fee closer to that charged by other issuers of mortgage-backed securities and is part of a Government-wide effort to facilitate additional private sector activity in the secondary market for home mortgages. Similar fee increases, in the form of user fees, are being proposed for the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

No appropriation is required for this program. Income derived from program operations is sufficient to meet operating costs. GNMA may borrow from the Treasury, if necessary, to meet guarantee requirements.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

During 1985, a total of $54,597 million in guarantee commitments were issued. This was $1,137 million more than the $53,460 million estimated in the 1986 Budget. The increase in 1985 commitment activity resulted from lower mortgage interest rates.

Guarantees issued in 1985 ($36,277 million) were $1,913 million under the $38,190 million estimated in the 1986 Budget. This can be attributed to the time-lag between when the commitment is taken out and when the security is guaranteed.

Guarantees of Mortgage-Backed Securities

Net receipts in 1985 amounted to $234,009 thousand or $7,296 thousand less than the $241,305 thousand estimate included for 1985 in the 1986 Budget. The reduction in receipts was primarily due to declining interest rates during 1985 which resulted in less income being earned on the program's investment portfolio.

3. CHANGES FROM 1986 BUDGET ESTIMATES

	FISCAL YEAR 1986 ESTIMATES	
	BUDGET ESTIMATE	CURRENT ESTIMATE
	(Dollars in Thousands)	
Limitation on Credit Commitments..............	$68,250,000	$65,315,250
Commitments Issued in Year....................	51,110,000	60,463,480
Guarantees Issued in Year.....................	36,500,000	43,188,200
Outlays.......................................	-298,275	-268,029

The 1986 Appropriation Act provided a ceiling on commitments of $68,250 million. However, this commitment limitation was reduced by $2,934.7 million to $65,315.2 million as a result of the sequestration required under the Balanced Budget and Emergency Deficit Control (BBEDC) Act of 1985 (P.L. 99-177).

Based on anticipated mortgage and loan insurance activity under Federal Housing Administration and Veterans Administration housing programs, $60,463 million in commitments currently is estimated, which is a $9,353 million increase above the original 1986 estimate of $51,110 million.

Likewise, estimated guarantees to be issued in 1986 also are being increased by $6,688 million (from $36,500 million to $43,188 million) to reflect the estimated FHA and VA activity.

Receipts are expected to decrease by $30,246 thousand (from $298,275 thousand to $268,029 thousand). Although activity is increasing, receipts decrease due to the following: (1) The 1986 Budget reflected a 15 basis point guarantee fee on new issues on which action was deferred pending Congressional enactment of similar fees for FNMA and FHLMC thus leaving the fee unchanged at 6 basis points; and (2) Expected lower interest rates reduced the amount of estimated interest income to be earned on the program's investment portfolio. These decreases in receipts are offset by the sequestration of $118 thousand in administrative expenses (which results in -$109 thousand in outlays) pursuant to the BBEDC Act of 1985 (P.L. 99-177).

EXPLANATION OF INCREASES AND DECREASES

Although the 1987 request for a $68,250 million limitation on guarantee commitments represents no change from the amount enacted for 1984, it does represent an increase of $2,934.7 million from the sequestered level. The Budget anticipates that the proposed limitation will prove more than sufficient to support the level of secondary market financing required for FHA-insured and VA-guaranteed loans.

Commitments issued and guarantees issued are expected to decrease by $5,107 million and $3,648 million, respectively. These decreases are due to the decreases in FHA insured and VA-guaranteed activity projected to occur during 1987.

An increase in 1987 net receipts of $55,765 thousand (from -$268,029 thousand to -$323,794 thousand results from the proposed guaranty fee increase of nine basis points (from 6 basis points to 15 basis points) in 1987.

PROGRAM DESCRIPTION

This program facilitates the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Veterans Administration or the Farmers Home Administration. Funds are provided through investments in long-term securities guaranteed by GNMA which are based on and backed by pools of such mortgages. The investment proceeds are used in turn to finance additional mortgage loans.

Guarantees of Mortgage-Backed Securities

Institutions which provide and service mortgages (such as mortgage companies, commercial banks, savings banks and savings and loan associations) assemble pools of mortgages and issue securities backed by the pools. Buyers of securities include pension funds, state and local retirement funds and other investors who are not equipped and are unwilling to assume the complexities of managing mortgage portfolios.

The program has attracted nontraditional sources of credit into the housing market. Approximately 70 percent of the funds used to purchase GNMA securities in 1985 came from nontraditional mortgage investors, including pension and retirement funds, life insurance companies and individuals.

GNMA currently guarantees "Pass-Through Type" securities. The pass-through type security provides payment to registered holders of interest plus the monthly installments of principal due on the pooled mortgages, whether or not collected, plus any additional principal collections.

Separate pass-through programs have been developed to finance homes, multifamily projects and mobile homes. GNMA first issues a "commitment" to the prospective securities issuer indicating the firm meets GNMA's eligibility requirements. After GNMA issues the commitment, the issuer can begin to assemble mortgage pools and issue securities. Securities are issued in face amounts of $25,000 and increments of $5,000 thereafter which bear the same aggregate face amount as the aggregate unpaid balance of the pooled mortgages and bear interest at the rate borne by the mortgages--less the amount of issuer servicing fees and GNMA guarantee fees.

GNMA's risk is small since the pooled mortgages are insured or guaranteed by Government agencies.

The program is administered solely by HUD Headquarters staff. Certain issuer monitoring activities are performed through a contract with the Federal National Mortgage Association. Central paying agent and securities preparation, transfer and registry are carried out under contract with Chemical Bank in New York City.

PROGRAM ACTIVITY

1. Status of Program. During 1985, the Government National Mortgage Association guaranteed securities totaling $36,277 million. Additional guarantees of mortgage-backed securities are estimated at $43,188 million in 1986 and $39,541 million in 1987.

The changes in the outstanding principal balance of securities for fiscal years 1985, 1986 and 1987 are shown in the following table:

	SECURITIES OUTSTANDING		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Securities outstanding, beginning of year	$176,484,605	$201,025,661	$234,680,568
Issued during year	36,277,174	43,188,200	39,540,628
Principal payments to security holders	-11,736,118	-9,533,293	-8,763,111
Securities outstanding, end of year	201,025,661	234,680,568	265,458,085

2. Financing. Application and guarantee fees and other charges are paid by issuers of guaranteed securities to cover GNMA's issuing and claims costs under the guarantees. The Association may borrow from the Treasury to make claim payments. However, it has not had to use that authority.

Guarantees of Mortgage-Backed Securities

Expenses are incurred for program administration and for paying claims pursuant to the GNMA guaranty on the securities.

The following table reflects the composition of program net income for 1985, 1986 and 1987:

	Actual 1985	Estimate 1986	Estimate 1987
	(Dollars in Thousands)		
Income:			
Guarantee fees	$126,799	$146,218	$182,296
Interest	100,904	123,040	145,281
Application fees and other	19,786	20,588	22,724
Total Income	$247,489	$289,846	$350,301
Expenses:			
Operating Expenses:			
Administrative and servicing	$4,428	$4,894	$5,476
Non-operating Expenses:			
Claims	164	181	199
Other	6,830	9,377	12,219
Total Expenses	11,422	14,452	17,894
Net Income	236,067	275,394	332,407

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MANAGEMENT AND LIQUIDATING FUNCTIONS

PROGRAM HIGHLIGHTS

Program Levels	ACTUAL 1985 a/	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Increases to Prior Year Commitments..................	$45	...	...	...	...
Mortgage Purchases..............	454,750	$341,747	$351,197	$163,128	-$188,069
Mortgage Sales (gross)..........	1,119,163	971,469	946,902	735,000	-211,902
Repayments and Other Liquidations.............	83,995	37,005	57,468	33,791	-23,677
Portfolio, end of Year..........	1,634,016	848,596	980,843	375,180	-605,663
Budget Outlays..................	-553,601	-410,688	-429,760 b/	-409,612	-20,148
Budget Authority Permanent/ Indefinite for Participation Sales Insufficiencies..........	...	...	...	...	...
Other...........................	...	...	...	...	...

a/ Includes SAF, EMPA and M&L activity. Transfer of SAF and EMPA liability to M&L took place in FY 1985 (October 1, 1984).

b/ Consistent with Budget which shows sequestration of $45 thousand of administrative expenses as a result of savings required by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). The GAO, however, later deleted this sequestration which is, therefore, no longer applicable.

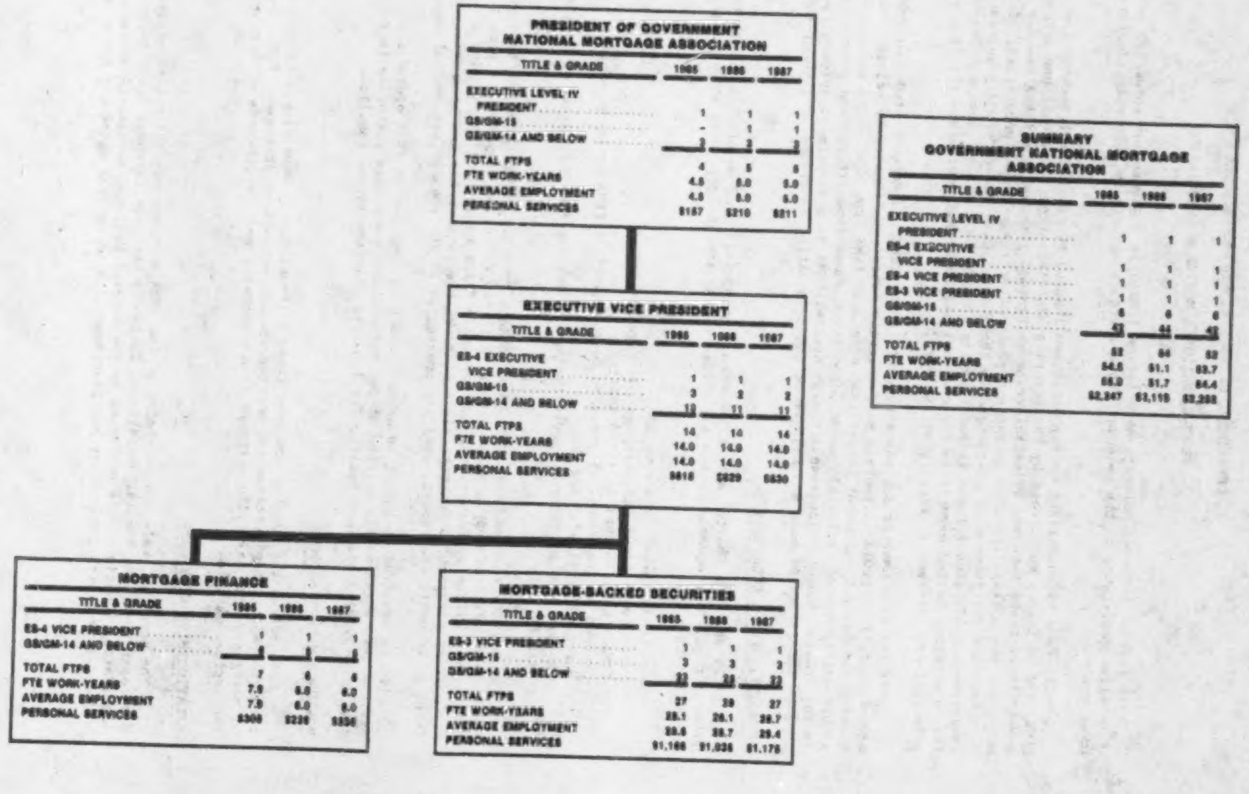
SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Housing and Urban-Rural Recovery Act of 1983 repealed GNMA's authority to issue new commitments under the Emergency Mortgage Purchase Assistance (EMPA) Program and the Special Assistance Functions (SAF) Fund. This placed the EMPA and SAF funds into a liquidation status. Congress approved appropriation language included in the FY 1985 Budget that: (1) forgave all outstanding Treasury borrowing issued under these accounts effective October 1, 1984; and (2) transferred all remaining assets and liabilities of the funds to the Management and Liquidating Functions Fund (M&L). Therefore, all three programs (SAF, EMPA, and M&L) are reflected under the M&L Function.

Outstanding mortgage commitments will be purchased when presented to the Department. GNMA's mortgage portfolio will be liquidated through periodic mortgage sales auctions and normal repayments. For 1987, mortgage purchases are estimated at $163.1 million and mortgage sales are estimated at $735.0 million.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



PRESIDENT OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV PRESIDENT	1	1	1
GS/GM-15	-	1	1
GS/GM-14 AND BELOW	3	3	3
TOTAL FTPS	4	5	5
FTE WORK-YEARS	4.5	5.0	5.0
AVERAGE EMPLOYMENT	4.5	5.0	5.0
PERSONAL SERVICES	$187	$210	$211

SUMMARY GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV PRESIDENT	1	1	1
ES-4 EXECUTIVE VICE PRESIDENT	1	1	1
ES-4 VICE PRESIDENT	1	1	1
ES-3 VICE PRESIDENT	1	1	1
GS/GM-15	6	6	5
GS/GM-14 AND BELOW	42	44	43
TOTAL FTPS	52	54	52
FTE WORK-YEARS	54.5	51.1	53.7
AVERAGE EMPLOYMENT	55.0	51.7	54.4
PERSONAL SERVICES	$2,247	$2,115	$2,258

EXECUTIVE VICE PRESIDENT

TITLE & GRADE	1985	1986	1987
ES-4 EXECUTIVE VICE PRESIDENT	1	1	1
GS/GM-15	3	2	2
GS/GM-14 AND BELOW	10	11	11
TOTAL FTPS	14	14	14
FTE WORK-YEARS	14.0	14.0	14.0
AVERAGE EMPLOYMENT	14.0	14.0	14.0
PERSONAL SERVICES	$816	$829	$830

MORTGAGE FINANCE

TITLE & GRADE	1985	1986	1987
ES-4 VICE PRESIDENT	1	1	1
GS/GM-14 AND BELOW	6	5	5
TOTAL FTPS	7	6	6
FTE WORK-YEARS	7.0	6.0	6.0
AVERAGE EMPLOYMENT	7.0	6.0	6.0
PERSONAL SERVICES	$306	$228	$236

MORTGAGE-BACKED SECURITIES

TITLE & GRADE	1985	1986	1987
ES-3 VICE PRESIDENT	1	1	1
GS/GM-15	3	3	2
GS/GM-14 AND BELOW	23	25	24
TOTAL FTPS	27	29	27
FTE WORK-YEARS	28.1	26.1	26.7
AVERAGE EMPLOYMENT	28.6	26.7	25.4
PERSONAL SERVICES	$1,166	$1,026	$1,176

Management and Liquidating Functions Fund

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

During 1985, mortgage purchases totaled $454.8 million and were $336.9 million lower than the previous estimate of $791.7 million. GNMA has no control over the amount of mortgages offered by investors for purchase. Due to the substantial slow-down in mortgage purchases, GNMA sold only $1,119.2 million in mortgages during 1985. This was $482.1 million under the previous estimate of $1,601.3 million. Net receipts in 1985 totaled $553.6 million, an increase of $142.5 million from the $411.1 million estimate. The reduced purchase activity had a direct impact on GNMA's reduced sales volume and increased receipts.

3. CHANGES FROM 1986 BUDGET ESTIMATES

	FISCAL YEAR 1986 ESTIMATES	
	BUDGET ESTIMATE	CURRENT ESTIMATE
	(Dollars in Thousands)	
Purchases..............................	$341,747	$351,197
Sales..................................	971,469	946,902
Outlays................................	-410,688	-429,760

Purchases are increased by $9.4 million (from $341.7 million to $351.1 million) and mortgage sales are reduced by $24.6 million (from $971.4 million to $946.9 million) to reflect lower than anticipated purchases for FY 1985. In addition, purchase commitments of $338.0 million, which were originally held back to cover commitment increases, are being cancelled because it is not conceivable that they will be used. After taking into account this decrease in commitment reserves, there still will remain a reserve of approximately 15 percent to cover future commitment increases to existing outstanding purchase commitments.

Outlays represent the purchase of outstanding mortgage commitments plus program operating expenses offset by receipts generated largely through the sale of loans from GNMA's mortgage portfolio. These receipts from mortgage sales are contingent upon the success of GNMA in marketing these mortgages and the price investors are willing to pay for these loans.

PROGRAM DESCRIPTIONS

Special Assistance Functions. This program financed selected types of FHA-insured and VA-guaranteed mortgages to stimulate certain types of residential mortgage lending and building activities or supporting residential housing and mortgage markets when warranted by credit conditions.

Although GNMA holds a sizable mortgage portfolio, whenever market conditions permitted, recent purchase activities have been followed by sales. This procedure minimizes the budget impact while maximizing secondary mortgage market support.

Section 8 Tandem. Under this program, GNMA purchases mortgages on Section 8 projects which bear an interest rate as low as 7-1/2 percent. The program was aimed at reducing debt service requirements, to enable these projects to be economically feasible. Projects were eligible for GNMA commitments once an FHA commitment for insurance was issued and the necessary Section 8 assistance was reserved. The mortgages are still being purchased by GNMA at a discount price of 97.5 percent, with a three percent commitment charge. The program was terminated in 1983.

Targeted Tandem. The Targeted Tandem program was designed to encourage middle-income families to move into, or remain in, certain distressed urban areas. Mortgages are still being purchased on unsubsidized housing located in cities and counties which met the physical and economic distress criteria of the Urban Development Action Grant (UDAG) program. The program was terminated in 1983.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

The Federal National Mortgage Association (FNMA) is a government-sponsored private corporation. It provides assistance to the secondary home mortgage markets by supplying liquidity for mortgage investments.

While FNMA is authorized to buy mortgages insured by the Federal Housing Administration (FHA) and mortgages guaranteed by the Veterans Administration (VA), most new purchases consist of conventional fixed rate and adjustable rate mortgages. Virtually all FHA insured and VA guaranteed mortgages are packaged in GNMA guaranteed pools of mortgage-backed securities. Conventional mortgages are not insured or guaranteed by the Federal Government. FNMA requires that the low downpayment conventional loans it purchases be insured by a private mortgage insurer. FNMA also issues mortgage-backed securities for conventional loans and guarantees the timely payment of principal and interest to securities' holders.

When the FNMA Charter Act was enacted in 1954, Congress contemplated that FNMA's secondary market operations would ultimately be completely owned and financed by private investors. The Housing and Urban Development Act of 1968 separated FNMA from HUD. FNMA was converted to a government-sponsored, privately owned corporation whose expenditures and receipts are not reflected in the Federal Budget. The same Act also created GNMA as a government corporation within HUD to conduct Special Assistance and Management and Liquidating functions in lieu of FNMA.

AUTHORITY OF THE SECRETARY

Under the FNMA Charter Act, as amended, the Secretary of Housing and Urban Development retains general regulatory power over the activities of the stockholder-owned FNMA and requires Secretarial approval of:

- new (unapproved) FNMA programs;
- issuance of stock and mortgage purchases by FNMA;
- FNMA's debt-to-capital ratio ceiling;
- changes in the amount of stock to be purchased by FNMA mortgage sellers and held by FNMA mortgage servicers; and
- "a fair rate of return"--constituting the ceiling for the amount of cash dividends annually paid by FNMA.

The Secretary of HUD must respond to FNMA's requests for program approval within 45 days of FNMA's submission of a program proposal. A 15-day extension is permitted upon request of additional information by the Secretary. If the Secretary fails to respond in the time given, he must transmit to Congress a report to Congress explaining why the request has not been approved. If the Secretary fails to transmit the report, FNMA may proceed as if the request had been approved.

HUD is required to submit an annual report to Congress on FNMA operations. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low- and moderate-income families.

MORTGAGE MARKET SUPPORT

FNMA serves the housing and home finance industries by providing liquidity to primary lenders through its mortgage purchase and mortgage-backed securities programs. FNMA finances its purchases of mortgages from portfolio mortgage loan repayments and the proceeds of debt obligations sold in the capital markets.

RELATIONSHIPS WITH GNMA

The purchase, sale and servicing of the GNMA mortgage portfolio--including those mortgages purchased under the Special Assistance, Emergency Mortgage Purchase Assistance and Management and Liquidating functions--are performed by the Federal National Mortgage Association, under contract, and consistent with GNMA policy and procedures. A three-year agreement began on October 1, 1983.

Management and Liquidating Functions Fund

Emergency Mortgage Purchase Assistance Functions. The Emergency Home Purchase Assistance Act of 1974 added Section 313 of the National Housing Act by authorizing interim or standby authority to purchase mortgages until October 18, 1975. The Act authorized the purchase of conventional mortgages, and mortgages insured by the Federal Housing Administration, or guaranteed by the Veterans Administration.

The Emergency Housing Act of 1975 extended the mortgage purchase authority to July 1, 1976, fixed the interest rate at the lesser of 7.5 percent or the maximum FHA Section 203(b) rate and broadened the authority to cover conventional multifamily housing, including cooperatives, condominiums and the individual units therein. Authority to make commitments under Section 313 was extended by the Housing and Community Development Amendments of 1980 to October 1, 1981, when the authority to make commitments lapsed. The program was terminated in 1983.

Other Management and Liquidating Functions. GNMA manages and liquidates the portfolio of mortgages acquired prior to the FNMA Charter Act of 1954, and loans or other obligations that were subsequently acquired. In 1955, the Association was given responsibility to manage and liquidate the remaining portfolio of the Reconstruction Finance Corporation Mortgage Company and the Defense Home Corporation.

GNMA is authorized to acquire for this portfolio any mortgage covering residential properties that are offered to it by any Federal instrumentality and to purchase, service and sell any of these obligations. There have been no purchases in recent years.

The following table shows the change in portfolio status for SAF, EMPA and M&L from 1985 through 1987:

	1985 Actual	1986 Estimate	1987 Estimate	Increase + Decrease - 1987 vs. 1986
		(Dollars in Thousands)		
Mortgage Purchase Commitments				
Other Tandem:				
Increase to Prior Year Commitments				
EMPA	$45	...	...	...
Mortgage Purchases:				
SAF	452,439	$350,801	$163,128	-$187,673
EMPA	2,311	396	...	-396
Total Purchases	454,750	351,197	163,128	-188,069
Mortgage Sales:				
SAF	1,068,666	860,000	735,000	-125,000
EMPA	50,497	86,902	...	-86,902
Total Sales	1,119,163	946,902	735,000	-211,902
Repayments				
SAF	71,652	47,797	26,476	-21,321
EMPA	2,900	1,359	...	-1,359
M&L	9,443	8,312	7,315	-997
Total Repayments	83,995	57,468	33,791	-23,677
Portfolio, end of year				
SAF	1,476,882	919,886	321,538	-598,348
EMPA	87,865	...	...	...
M&L	69,269	60,957	53,642	-7,315
Total Portfolio, end of year	1,634,016	980,843	375,180	-605,663

Management and Liquidating Functions Fund

Operating Results

As of September 30, 1985, accumulated net worth was $2,435.6 million primarily as the result of $12,655.0 million in forgiveness of Treasury debt in FY 1985. Accumulated net worth estimates at years ending FY 1986 and FY 1987 are $1,298.7 million and $547.0 million, respectively. The net worth figures for FY 1986 and FY 1987 reflect the transfers of excess funds to Treasury of $979.0 million and $565.9 million, respectively.

The following table summarizes combined operating activities for SAF, EMPA and M&L for the periods covered by these estimates:

	Cumulative Through 1984 a/	1985 Actual	1986 Estimate	1987 Estimate
		(Dollars in Thousands)		
Gross Income	$7,097,900	$229,886	$147,867	$83,737
Expenses	16,972,108	388,612	305,707	269,620
Net Income or Loss	-9,874,208	-158,726	-157,840	-185,883
Payments to Treasury	267,373	...	978,992	565,861
Appropriations	80,917	...	...	...
Debt Forgiveness	...	12,654,955	...	...
Cumulative Retained Earnings ...	-10,060,664	2,435,565	1,298,733	546,989

a/ Includes combined SAF, EMPA and M&L activity. Transfer of SAF and EMPA assets and liabilities to M&L took place in FY 1985 (October 1, 1984).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

PARTICIPATION SALES FUND

PROGRAM HIGHLIGHTS

Program Levels	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Certificates Outstanding, end of Year....................	$2,165,000	$2,165,000	$2,165,000	$1,965,000	-$200,000
Budget Outlays.................	-102,949	-98,102	-95,678	28,508	+124,186
Appropriation for Participation Sales Insufficiencies:					
Annual Definite Appropriation 1968-1969 Sales...............	490	...	...	1,079	+1,079
Permanent Indefinite Appropriation for 1967 Sales...........	...	...	...	...	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Department's revised estimates of the 1987 interest collections from the pooled mortgages along with income from investments will not be sufficient to pay the interest payments to the holders of participation certificates in the Federal Assets Financing Trust. Therefore, an appropriation of $1,079 thousand is requested for insufficiencies in 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

During 1985, net receipts were $102,949 thousand compared to the previous estimate of $78,882 thousand. The increase in 1985 receipts reflects increased interest income due to higher rates on investments than was estimated.

3. CHANGES FROM 1986 BUDGET ESTIMATES

	FISCAL YEAR 1986 ESTIMATES	
	BUDGET ESTIMATE	CURRENT ESTIMATE
	(Dollars in Thousands)	
Budget Outlays..	-$98,102	-$95,678
Appropriation for Participation Sales Insufficiencies:		
Annual Definite Appropriation for 1968-69 Sales.....................................	...	...
Permanent Indefinite Appropriation for 1967 Sales..	...	...
Certificates Outstanding, end of Year....................	2,165,000	2,165,000

Participation Sales Fund

Receipts decrease $2.4 million (from -$98.1 million to -$95.7 million) primarily as a result of an estimated decrease in trustors collections.

EXPLANATION OF INCREASES AND DECREASES

The decrease in participation certificates outstanding from $2,165.0 million to $1,965.0 million in 1987 is due to the maturity of $200.0 million of principal which will be paid to the holders of participation certificates.

The decrease in net receipts and the conversion to positive outlays projected for 1987 is due to a maturity within the Federal Assets Liquidation Trust (FALT). This change in outlays from -$95.7 million to $28.5 million is primarily due to a return of $124.2 million in surplus interest on deposit to the trustors. This payment of surplus interest to the trustors directly impacts outlay estimates.

PROGRAM DESCRIPTION

The Housing Act of 1964 vested fiduciary powers in GNMA to facilitate the substitution of private financing for Government-owned mortgages or other types of obligations. The program provides pooling under trust indentures of mortgages or other types of obligations of certain Government departments and agencies and the sale by GNMA, as trustee, of beneficial interest or participations in these pools. Since the Participation Sales program began in 1965, GNMA established four trusts to administer the sales of participation certificates covering assets in 14 funds of five Government agencies. The Small Business Obligation Trust was liquidated in 1971 and the Government Mortgage Liquidation Trust was liquidated in 1981. The two remaining trusts, Federal Assets Liquidation Trust (FALT) and Federal Assets Financing Trust (FAFT), contain $2,165 million of outstanding certificates, the last of which will not mature until 1988, when $1,965 million in FAFT will be retired.

PROGRAM ACTIVITY

The Participation Sales Act of 1966 authorized appropriations to cover payments for insufficiencies in the amount required to be paid by the trustors on the outstanding participations. These insufficiencies are comprised of interest payments to holders of participation certificates in excess of the interest payments received from the pooled mortgages or other obligations.

For sales authorized in 1967, the Independent Offices Appropriation Act of 1967 authorized a permanent, indefinite appropriation to cover insufficiencies. For sales authorized in 1968, the Independent Offices and Department of Housing and Urban Development Appropriation Act established annual appropriations for insufficiencies. No permanent indefinite appropriation is estimated for 1987 to cover insufficiencies for sales authorized in 1967. An appropriation is requested in 1987 to cover insufficiencies for sales authorized in 1968.

Participation Sales Fund

The following table shows the amount of appropriations enacted and proposed for 1987:

	DEFINITE APPROPRIATIONS - 1968 SALES			
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Public Facility Loans (Revolving Fund)...........	$490	...	$1,079	+$1,079

STATUS OF FUNDS

If the principal of pooled loans is not paid in time to meet scheduled retirements of participation certificates, GNMA may sell additional certificates under the original sales authority to refund expiring loans. Alternatively, those Trustor accounts with unobligated balances available may repurchase pooled loans to provide the cash required for scheduled redemptions.

Below is a detailed analysis of participations sold:

PARTICIPATION SALES BY TRUST

ISSUE DATE	MATURITY DATES	ANNUAL INTEREST RATES (%) (Dollars in Millions)	MATURITIES		TOTAL ISSUED
			NO.	AMT.	
Government Mortgage Liquidation Trust:					
11/2/64	Nov. 1, 1965-1974	4.125 - 4.375	10	$30	$300
7/1/65	July 1, 1966-1980	4.375 - 4.50	15	35	525
12/1/65	Dec. 1, 1966-1980	4.625 - 4.70	15	25	375
4/4/66	Apr. 1, 1967-1976	5.40 - 5.50	10	20	200
4/4/66	Apr. 1, 1977-1981	5.25 - 5.45	5	42	210
6/23/66	June 23, 1979-1981	5.375 - 5.40	3	60	180
	Total GMLT...				1,790
Small Business Obligations Trust:					
6/23/66	June 23, 1967-1971	5.70 - 5.75	5	$70	$350

Participation Sales Fund

ISSUE DATE	MATURITY DATES	ANNUAL INTEREST RATES (%) (Dollars in Millions)	MATURITIES NO.	MATURITIES AMT.	TOTAL ISSUED
Federal Assets Liquidation Trust:					
1/19/67	Jan. 19, 1972	5.20	1	$275	
	Jan. 19, 1977	5.20	1	275	
	Jan. 19, 1982	5.20	1	550	$1,100
4/5/67	Apr. 7, 1969	4.75	1	450	
	Jan. 19, 1972	5.00	1	250	
	Apr. 6, 1987	5.10	1	200	900
6/29/67	Sep. 29, 1969	5.25	1	450	
	June 29, 1972	5.50	1	450	900
4/8/68	Apr. 9, 1973	6.45	1	330	330
	Total FALT				3,230
Federal Assets Financing Trust:					
12/11/67	Feb. 11, 1979	6.35	1	$650	
	Dec. 11, 1987	6.40	1	350	$1,000
1/30/68	Feb. 1, 1971	6.00	1	800	
	Feb. 1, 1988	6.05	1	450	1,250
4/8/68	Apr. 8, 1971	6.30	1	335	
	Apr. 8, 1988	6.45	1	335	670
8/12/68	Aug. 14, 1978	6.12	1	500	
	Aug. 12, 1988	6.20	1	830	1,330
	Total FAFT				4,250
	Total All Trusts				9,620

To date, $7,455 million in certificates have been redeemed, leaving an outstanding balance of $2,165 million. Certificates outstanding as of September 30, 1985 are:

	FEDERAL ASSETS LIQUIDATION TRUST a/	FEDERAL ASSETS FINANCING TRUST b/ (Dollars in Millions)	TOTAL
Balance Outstanding on 9/30/85	$200.0	$1,965.0	$2,165.0
Certificates Maturing:			
1987	200.0	...	200.0
1988	...	1,965.0	1,965.0
Total	200.0	1,965.0	2,165.0

a/ 1967 sales - indefinite appropriation.
b/ 1968 sales - definite appropriation.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 3: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Total Budget Activity	$3,412	$3,450	$4,569	$5,082	+$513
Full-Time Permanent Appointments, End of Year	52	53	54	52	-2
Full-Time Equivalents	54.5	53.6	51.1	53.7	+2.6
Staff-Years	55.0	54.3	51.7	54.4	+2.7

SUMMARY OF BUDGET REQUEST

The 1987 request is for $5,082 thousand and 52 positions, an increase of $513 thousand and two less positions as compared to 1986.

The funding increase is principally for increased automated data processing support.

The decrease of two positions in 1987 is consistent with reductions in overall Departmental program and staffing levels.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Personal Services	$2,247	$2,083	$2,110	$2,252	+$142
Travel and Transportation of Persons	48	39	50	56	+6
Transportation of Things	13	0	15	15	...
Rent, Communications and Utilities	13	18	18	14	-4
Printing and Reproduction	51	90	41	53	+12
Other Services	1,026	1,185	2,320	2,675	+355
ADP Services	(1,016)	(1,177)	(2,211)	(2,659)	(+448)
Supplies and Materials	14	29	15	17	+2
Furniture and Equipment	...	6	...	...	...
Total	3,412	3,450	4,569	5,082	+513

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $3,412 thousand are $44 thousand more than the previous estimate of $3,368 thousand. The increase consists of $82 thousand in personal services costs due to greater than anticipated staff-year usage partially offset by a decrease of $38 thousand in support costs.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate..	$3,450
Add amendment to restore proposed five percent pay reduction....	+95
Add effect of general repricing................................	+1,305
Deduct mandated funding reduction...............................	-281
Current 1986 estimate..	$4,569

The changes to the funding requirements for 1986 are the result of the following:

-- A decision not to reduce the salaries of Federal Employees as initially proposed requires an increase of $95 thousand;

-- An assessment of funding needs based on more recent cost and requirements data results in an increase of $1,305 thousand. The increase is almost totally related to increased automated data processing support for the Mortgage-Backed Securities Program; and

-- GNMA's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $281 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986 (Dollars in Thousands)	1987
Prior Year Obligations....................................	$3,412	$4,569
Changes to terminal leave and severance pay................	-6	+2
Changes to personal services costs due to changes in average employment............................	-135	+110
Changes in average personal services costs.................	+4	+30
Changes in automated data processing services..............	+1,195	+448
All other changes..	+99	-77
Total obligations..	$4,569	$5,082

There is a net decrease of $137 thousand to personal services costs in 1986 and an increase of $142 thousand in 1987. The changes reflect the following:

-- anticipated changes to terminal leave and severance pay are expected to decrease $6 thousand in 1986 and increase $2 thousand in 1987;

-- it is estimated that a decrease of 3.3 staff years in 1986 will reduce obligations by $135 thousand and an increase of 2.7 staff years in 1987 will increase obligations by $110 thousand;

-- changes in average personal services costs are a minimal increase of $4 thousand in 1986 and $30 thousand in 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

There is an increase of $1,294 thousand of non-personal services costs in 1986 and a net increase of $371 thousand in 1987. The changes reflect the following:

-- Costs of automated data processing services are estimated to increase $1,195 thousand in 1986 and $448 thousand in 1987. The increase in 1986 reflects enhancements to the Issuer's Monthly Audit systems and development of the Commitment Line subsystem and a higher level of data entry services in support of the Mortgage-Backed Securities program. The increase in 1987 is associated with continued development of the On-Line Commitment system.

-- Changes for all other support costs are estimated to result in an increase of $99 thousand in 1986 and a decrease of $77 thousand in 1987. The increase in 1986 is principally for a GAO Audit which the Congress requires to be conducted every three years.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Government National Mortgage Association (GNMA) is responsible for the administration of activities associated with the Mortgage-Backed Securities program, the Special Assistance Functions Fund, the Emergency Mortgage Purchase Assistance program, the Management and Liquidating Functions Fund, and the Participation Sales Fund. A brief description of GNMA's programs is given in the following material:

a. Mortgage-Backed Securities. Section 306(g) of the National Housing Act authorizes GNMA to guarantee the timely payment of principal and interest on securities which are issued by approved financial institutions and which are backed by Federal Housing Administration (FHA), Veterans Administration (VA), or Farmers Home Administration (FmHA) mortgages. Guaranteeing securities requires the examination and underwriting of applications from prospective issuer firms, the preparation and supervision of pool documents, the review of books and records bearing on the issuances of mortgage-backed securities, and the issuance of certificates to original purchasers and to secondary market assignees. Guarantees issued are estimated at $43.19 billion in 1986 and $39.54 billion in 1987.

b. Transfer of SAF and EMPA Programs to Management and Liquidating Functions Fund. The Housing and Urban-Rural Recovery Act of 1983 repealed GNMA's authority to issue new commitments under the Emergency Mortgage Purchase Assistance (EMPA) and the Special Assistance Functions (SAF). This placed the EMPA and SAF funds into a liquidation status. Congress approved appropriation language included in the 1985 Budget that: (1) forgave all outstanding Treasury borrowings issued under these accounts effective October 1, 1984; and (2) transferred all remaining assets and liabilities of the funds to the Management and Liquidating Functions Fund (M&L). Therefore, all three programs (SAF, EMPA, and M&L) are reflected under the M&L Function. The transfer of SAF and EMPA programs to M&L will have no effect on staffing.

Under its Management and Liquidation Functions, GNMA is responsible for managing and liquidating a portfolio of mortgages acquired under various contracts made prior to November 1, 1954, as well as any other mortgages and obligations that have been or may be acquired pursuant to legislation enacted since that date. Beginning in 1985, this function included the responsibility for administering, on behalf of the Secretary, the assignments to HUD in their 20th year of project mortgages under section 221(g)4 of the National Housing Act.

c. Participation Sales Fund. GNMA, as trustee, administers the Participation Sales Fund involving: the maintenance of account records applicable to the pooled mortgages or other obligations; collections from trustors; payments of interest and principal on certificates of participation; and investment of large amounts of funds generated from collections of principal and interest from the trustors, pending their distribution to certificate holders.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

d. Work Performed Under Contract. In accordance with policy and procedures prescribed by GNMA, the purchase, sale, and servicing of the mortgage portfolio under Special Assistance Functions, Emergency Mortgage Purchase Assistance, and Management and Liquidating Functions are performed under contract by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation.

2. WORKLOAD

TYPE OF ACTIVITY BY FUNCTION	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)	
Guarantees of Mortgage-Backed Securities			
Originated during year	$36,277,174	$43,188,200	$39,540,628
Outstanding, end of year	201,025,661	234,680,568	265,458,085
Participation Sales Program			
Income from investments	217,573	223,909	224,615
Principal collections from trustors	167,483	56,320	82,315
Management and Liquidation Functions			
Mortgage Purchases a/			
Special Assistance Functions	452,439	350,801	163,128
Emergency Mortgage Purchase Assistance	2,311	396	...
Total	454,750	351,197	163,128
Mortgage Sales a/			
Special Assistance Functions	1,068,666	860,000	735,000
Emergency Mortgage Purchase Assistance	50,497	86,902	...
Total	1,119,163	946,902	735,000

a/ Congress approved appropriation language included in the 1985 Budget that transferred all remaining assets and liabilities of Special Assistance Functions and Emergency Mortgage Purchase Assistance to the Management and Liquidating Functions Fund.

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel for the Government National Mortgage Association are assigned to Headquarters. The summary requirements are as follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-time Permanent Appointments, End of Year	52	53	54	52	-2
Staff-Years	55.0	54.3	51.7	54.4	+2.7

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	54.5	51.1	53.7
Temporary and Part-Time Employees	...	.2	.2
Overtime	.2	.1	.1
Terminal Leave	.3	.3	.4
Total Staff-Years	55.0	51.7	54.4

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

A description of the last four categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within GNMA and are followed by a discussion of the functions and staffing requirements for each of those organizations.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the President................	4	4	5	5	...
Office of the Executive Vice President.	14	13	14	14	...
Office of Vice President, Mortgage Finance................................	7	8	6	6	...
Office of Vice President, Mortgage-Backed Securities......................	27	28	29	27	-2
Total Full-Time Permanent Appointments, End of Year..................	52	53	54	52	-2

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the President................	4.5	4.5	5.0	5.0	...
Office of the Executive Vice President.	14.0	13.6	14.0	14.0	...
Office of Vice President, Mortgage Finance................................	7.9	8.0	6.0	6.0	...
Office of Vice President, Mortgage-Backed Securities......................	28.6	28.2	26.7	29.4	+2.7
Total Staff-Years.....................	55.0	54.3	51.7	54.4	+2.7

1. Office of the President. This Office directs and supervises the activities of the Association generally, coordinates the activities of the various offices within the organization, and manages the administrative affairs of the Association.

No additional staff is requested for 1987.

2. Office of the Executive Vice President. This Office is responsible for the direction, management, and coordination of the operating program on a day-to-day basis. It administers the fiscal, budget, accounting, and statistical activities, including development and maintenance of systems and procedures, analysis, control and preparation of statements, reports and estimates. The Office also is responsible for evaluating the effectiveness of the various programs and for controlling programs and management policies. It provides and coordinates administrative services in the areas of personnel, space planning and utilization, telecommunications, property safety, and other services for GNMA.

No additional staff is requested for 1987.

3. Office of Vice President for Mortgage Finance. The responsibilities of this Office are to administer the Special Assistance and Management and Liquidating Functions, the Emergency Mortgage Purchase Assistance Program, and the Participation Sales Fund. This responsibility includes the issuance of contracts for the purchase of mortgages, and the administration of the tandem programs, the purchase and sale of mortgages, and the management of the portfolio. This Office, through the assistance of the Treasurer, also arranges for all financing activities, manages the investment program, and is responsible for the daily cash management function of the Association. Beginning in 1985, this Office will assume responsibility for administering, on behalf of the Secretary, the assignments to HUD in their 20th year of project mortgages insured under Section 221(g)4 of the National Housing Act.

No additional staff is requested for 1987.

4. Office of Vice President for Mortgage-Backed Securities. This Office administers the review of applications for the guarantee of mortgage-backed securities, the processing and issuance of securities, and the monitoring of active issuers. The Office maintains all documentation in connection with mortgage pools and monitors the ongoing administration of outstanding securities pools.

A reduction of two staff positions is proposed for 1987. It is anticipated that the reduction can be made through a combination of office automation and contracting out additional work.

Federal National Mortgage Association

The contract stipulates that GNMA will not pay for a number of expenses, including entertainment expenses, corporate relations, and stockholder-related expenses. Charges arising from research and planning costs will be prorated to include only those related to services which FNMA actually provides to GNMA.

LENDING AUTHORITY OF THE SECRETARY OF THE TREASURY

The FNMA Charter Act, as amended, continues the Secretary of the Treasury's discretionary authority to purchase up to $2.25 billion of obligations of FNMA.

UNIQUE CHARACTERISTICS OF CORPORATION

The common stock of FNMA is owned by the public, is freely transferable on the books of FNMA and is listed on major stock exchanges. However, the following characteristics of FNMA distinguish it from traditional privately owned corporations:

1. Five of the eighteen members of the Board of Directors are appointed by the President of the United States;
2. FNMA's securities are exempt from SEC registration;
3. FNMA's obligations are perceived by the market as being "Federal Agency" debt, which usually permits their issuance at favorable interest rates
4. FNMA does not have to qualify under local laws to do business in States;
5. FNMA is exempt from State and local taxes other than real property taxes;
6. FNMA has a U.S. Treasury backstop of $2.25 billion;
7. FNMA securities are legal investments for federally supervised institutions;
8. Federal Reserve Banks may act as fiscal agents; and
9. FNMA has 10-year net operating loss income tax carryback for Federal income tax purposes.

AGENCY USER FEES

The unique characteristics listed above contribute to FNMA's ability to borrow at rates below that which completely private corporations must pay for credit. The 1987 Budget proposes legislation for charging FNMA (and all other government-sponsored private enterprises) a fee on certain new securities issued after September 30, 1986. This fee will support the goal of reducing advantages enjoyed by Federal Government and Government-related agencies that compete with private sector providers and will create incentives for increased private sector activity in the secondary market for home mortgages.

Congressional Justification for 1987 Estimates

March 1986

U.S. Department of Housing and Urban Development

Part 2

Solar Energy and Energy Conservation Bank

Community Planning and Development

Policy Development and Research

Fair Housing and Equal Opportunity

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SOLAR ENERGY AND ENERGY CONSERVATION BANK
COMMUNITY PLANNING AND DEVELOPMENT
POLICY DEVELOPMENT AND RESEARCH
FAIR HOUSING AND EQUAL OPPORTUNITY

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SOLAR ENERGY AND ENERGY CONSERVATION BANK

ASSISTANCE FOR SOLAR AND CONSERVATION IMPROVEMENTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Program Level					
Obligations....................	$32,983	$275	$9,929 a/	...	-$9,929
Budget Authority:					
Enacted or Proposed............	15,000	...	...	...	...
Budget Outlays..................	26,956	35,000	35,988	$8,806	-27,182

a/ Amount differs from that shown in the 1987 Budget because of updated estimates of recaptured funds which must be reallocated for use in 1986.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The authorization for this program will expire at the end of 1987, and no additional appropriation is requested. Title V of the Energy Security Act of 1980 created the Solar Energy and Energy Conservation Bank and authorized it through September 30, 1987. The program was conceived as a short-term stimulus only, and State-level program participants were advised from the outset to develop alternative resources for the long-term funding of their programs. The program has experienced moderate activity to date, and the funds currently available will allow for disbursement activity into 1987. To ensure an orderly statutory termination of the program by September 30, 1987, closeout procedures will be accomplished in conjunction with the disbursement of funds in 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The 1986 Budget assumed that the 1985 appropriation of $15 million would be awarded in August of 1985 and obligated by September 30, 1985. In addition, it was anticipated that approximately $9.9 million would be recaptured from the States and returned to the Treasury. However, a March 20, 1985, Court Order required the Bank to reallocate recaptured funds which resulted in the August awards being increased from $15 million to $20.1 million, with only $14.5 million of the funds awarded being obligated by September 30, 1985. As such, total obligations for 1985 were slightly less than projected. Due to the unanticipated increase in program activity of a few States, outlays for 1985 were slightly higher than the estimates provided in the 1986 Budget.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed obligations only for salaries and expenses. The current estimate of obligations--$9.9 million--also differs from the $9.4 million shown in the 1987 Budget for 1986. It reflects the anticipated reallocation in February of approximately $4.1 million in recaptured funds as required by Court Order, as well as the obligation of the remainder of the 1985 funds awarded in August of 1985. The $4.1 million is the most recent estimate of recaptures, increased from the $3.5 million for 1986 included in the 1987 Budget. Outlays have been increased slightly to reflect the availability of the recaptured funds that will be reallocated.

In addition, obligations and outlays reflect the sequestration of $12 thousand--4.3 percent of the funds available for administrative expenses--as P.L. 99-177 requires.

Assistance for Solar and Conservation Improvements

EXPLANATION OF INCREASES AND DECREASES

No funds were appropriated for 1986, and it is anticipated that all funds recaptured in 1986 will be reallocated in 1986. For 1987 no appropriation is requested, and it is assumed any funds recaptured will be returned to the Treasury. Remaining obligated funds are projected to be disbursed in 1987, and closeout procedures will be implemented.

PROGRAM DESCRIPTION

The Solar Energy and Energy Conservation Bank was established by Title V of the Energy Security Act of 1980 to encourage energy conservation and the use of solar energy to reduce the Nation's dependence on foreign sources of energy supplies. The Bank's financial assistance program provides: (1) loan subsidies and matching grants for energy conservation in one- to four-family and multifamily residential buildings completed prior to 1980, (2) loan subsidies for energy conservation in commercial and agricultural buildings completed prior to 1980 with nonprofit occupants, and (3) loan subsidies for passive and active solar energy systems in existing and newly constructed one- to four-family and multifamily residential buildings and commercial and agricultural buildings with nonprofit owners.

PROGRAM ACTIVITY

On June 14, 1985, the amended Final Rule was published in the Federal Register incorporating the changes mandated by the Technical Amendments Act of 1984. The amended Final Rule became effective on July 23, 1985. In accordance with the amended Final Rule, a single allocation was made in August of 1985 to 52 ongoing participants and three new participants using performance-based criteria. A total of $20.1 million was awarded, including $5.3 million of recaptured funds as required by Court Order. Of the $20.1 million awarded, all but $5.5 million was obligated by September 30, 1985. An additional $18.4 million was also obligated during 1985. Of these funds, $328 thousand was for the administrative expenses of the Bank, and the remainder, $18.1 million, represents 1984 funds awarded to 36 participants in September of 1984, but not obligated until November 15, 1984.

For 1986, it is currently anticipated that an estimated $4.1 million of recaptured funds will be reallocated to program participants in February. This is a revised estimate from that contained in the 1987 Budget schedule.

A total of $76.5 million is currently obligated to 55 participants. As of February 14, 1985, 49 participants had requested and received funds from the Bank totalling $49.6 million. A summary distribution of these disbursements follows:

	(Dollars in Thousands)
1-4 Family Energy Conservation Projects.............................	$35,785
1-4 Family Solar Energy Projects....................................	5,629
Multifamily Energy Conservation Projects............................	3,923
Multifamily Solar Energy Projects...................................	225
Commercial/Agricultural Energy Conservation Projects................	159
Commercial/Agricultural Solar Energy Projects.......................	187
Promotional and Administrative Expenses.............................	3,682
Total..	49,590

In addition, $37.7 million or 82.1 percent of the program funds have been granted to low- and moderate-income applicants.

The Bank's two Advisory Committees met twice during 1985 as required by statute. A workshop also was held with representatives from 44 participants attending.

Assistance for Solar and Conservation Improvements

STATUS OF FUNDS

	STATUS OF APPROPRIATION		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Unobligated balance, start of year	$18,434	$5,841	...
Appropriation	15,000	...	...
Recoveries of prior year obligations	5,402	4,100	$1,636
Adjustment in expired accounts	...	...	-1,636
Sequestration of administrative expenses	NA	-12	NA
Total Available	38,836	9,929	...
Obligations	-32,983	-9,929	...
Unobligated balance lapsing	-12	...	...
Unobligated balance, end of year	5,841	...	...

	STATUS OF OBLIGATED BALANCES		
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Obligated balance, start of year	$39,976	$40,601	$10,442
Obligations incurred	32,983	9,929	...
Subtotal	72,959	50,530	10,442
Outlays	-26,956	-35,988	- 8,806
Recaptures	-5,402	-4,100	-1,636
Obligated balance, end of year	40,601	10,442	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years—1985, 1986, and 1987.

BUDGET ACTIVITY 4: SOLAR ENERGY AND ENERGY CONSERVATION BANK

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Total Budget Activity....................	$328	$275	$273	$160	-$113
Full-Time Permanent Appointments, End of Year..............................	6	...	3	...	-3
Full-Time Equivalents....................	6.1	4.1	3.8	2.0	-1.8
Staff-Years..............................	6.1	4.1	3.9	2.1	-1.8

SUMMARY OF BUDGET REQUEST

The 1987 request is for $160 thousand and no positions. The decrease reflects the Department's proposal to terminate the Solar Bank Program in 1986 with phasing out procedures to be completed during 1987. Authorization for the Solar Bank expires at the end of 1987.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Personal Services.........................	$297	$230	$227	$122	-$105
Travel and Transportation of Persons.....	17	10	19	10	-9
Rent, Communications and Utilities.......	6	6	7	6	-1
Printing and Reproduction................	2	1	2	2	...
Other Services...........................	6	26	16	18	+2
ADP Services...........................	(2)	(18)	(10)	(12)	(+2)
Supplies and Materials....................	...	2	2	2	...
Total................................	328	275	273	160	-113

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $328 thousand are $28 thousand under the previous estimate of $356 thousand. The actual funding level is due to lower than anticipated average salary and automated data processing costs.

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Solar Energy and Energy Conservation Bank

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimates as follows:

	(Dollars in Thousands)
Budget Estimate	$275
Add amendment to restore proposed five-percent pay reduction	+10
Less mandated funding reductions	-12
Current 1986 estimate	273

The changes to the funding requirements for 1986 are the result of the following:

- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $10 thousand;
- this activity's share of a $25.7 million decrease to the Salaries and Expenses, HUD account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $12 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986 (Dollars in Thousands)	1987
Prior year obligations	$328	$273
Changes to terminal leave and severance pay	+4	...
Changes to personal services costs due to changes in average employment	-107	-105
Changes to personal services costs due to changes in average cost per staff-year	+34	...
Changes to support costs	+14	-8
Total Obligations	273	160

There is a net decrease in personal services costs of $69 thousand in 1986 and a decrease of $105 thousand in 1987. They reflect the following:

- terminal leave and severance pay is expected to increase $4 thousand in 1986 and remain level during 1987;
- it is estimated that a decrease of 2.2 staff-years in 1986 will reduce obligations $107 thousand and a further decrease of 1.8 staff-years in 1987 will further reduce obligations $105 thousand; and
- changes to the average cost per staff-year due to promotions, within-grade increases and changes to the relative mix of permanent full-time, part-time and temporary staff are expected to result in an increase of $34 thousand in 1986 and no increase in 1987.

There is a minimal increase of $14 thousand in non-personal services costs in 1986 and a decrease of $8 thousand in 1987. The increase in 1986 is almost exclusively due to increased automated data processing services, and the 1987 decrease reflects, primarily, reduced travel costs associated with reduced staffing levels.

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Solar Energy and Energy Conservation Bank

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Solar Energy and Energy Conservation Bank was established by Title V of the Energy Security Act of 1980 to encourage energy conservation and the use of solar energy to reduce the Nation's dependence on foreign sources of energy supplies. The Bank's financial assistance program provides: (1) loan subsidies and matching grants for energy conservation in one- to four-family and multifamily residential buildings completed prior to 1980; (2) loan subsidies for energy conservation in commercial and agricultural buildings completed prior to 1980 with nonprofit occupants; and (3) loan subsidies for passive and active solar energy systems in existing and newly constructed one- to four-family and multifamily residential buildings and commercial and agricultural buildings with nonprofit owners. In addition to implementing the Bank program, the staff is responsible for supporting periodically held Bank Board meetings, advisory committee meetings and participant seminars.

2. WORKLOAD

The workload of the Solar Bank staff is associated with: (1) monitoring, evaluating, and reporting of program activities; (2) allocation and obligation of available program funds; and (3) reviewing and approving of participants' requests for the transfer of funds. A total of $65.7 million was obligated to 55 entities, and it's anticipated that during the second quarter of 1986 approximately $4.1 million of recaptured funds will be awarded to eligible program participants. The Bank staff is also planning to process about 900 requests for funds resulting in the disbursement of approximately $36.0 million as well as conduct 14 to 18 program reviews. For 1987, it is expected that the Bank's activities will center around the disbursement of the remaining program funds and the ultimate closeout of the program.

3. SUMMARY OF STAFFING REQUIREMENTS

All staff for the Solar Bank program are located in HUD Headquarters. The total staffing is as follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year.............................	6	...	3	...	-3
Staff Years.............................	6.1	4.1	3.9	2.1	-1.8

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel..............................	5.0	3.8	2.0
Temporary and Part-Time Employees..............................	1.1	...	...
Terminal Leave..............................	...	.1	.1
Total Staff-Years..............................	6.1	3.9	2.1

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SOLAR ENERGY AND ENERGY CONSERVATION BANK
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

SOLAR ENERGY AND ENERGY CONSERVATION BANK

TITLE & GRADE	1985	1986	1987
ES-4 PRESIDENT	1	1	–
GS/GM-15	1	1	–
GS/GM-14 AND BELOW ...	4	1	–
TOTAL FTPS	6	3	–
FTE WORK-YEARS	6.1	3.8	2.0
AVERAGE EMPLOYMENT	6.1	3.9	2.1
PERSONAL SERVICES	$297	$227	$122

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Block Grants (Title I):					
Program Level:					
Obligations..................	$3,513,868	$3,129,800	$2,496,085	$2,629,800a/	+$133,715
Appropriations:					
Enacted or proposed...........	3,472,000	3,124,800	3,124,800	2,124,800	-1,000,000
Sequestration.................	NA	NA	-134,366	...	+134,366
Total..................	3,472,000	3,124,800	2,990,434a/	2,124,800	-865,634
Budget Outlays.................	3,816,865	3,520,000	3,574,713	3,098,941	-475,772
CDBG Loan Guarantees (Section 108):					
Program Level:					
Number of loan commitments....	63	...	16	...	-16
Amount........................	$133,475	...	$50,000	...	-$50,000
Loan Limitation:					
Enacted or proposed...........	225,000	...	222,525	...	-222,525
Sequestration.................	NA	NA	-9,569	...	+9,569
Proposed Reduction............	NA	NA	-162,956	...	+162,956
Total..................	225,000	...	50,000	...	-50,000

a/ Includes $500 million deferred from 1986 to 1987.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1987 Budget requests $2,124.8 million for distribution under the Community Development Block Grant (CDBG) program. The appropriation for 1987, together with $500 million of funds deferred from 1986, will provide a total of over $2.6 billion for allocation in 1987. The Block Grant funding level for 1987 is intended to meet the deficit reduction targets set by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) and to carry out the Administration's priorities for Federal spending. Authorizing legislation is required to support the appropriation request. In addition, the Administration proposes legislation to improve the targeting of funds, within the Entitlement category, to those communities with the greatest need.

The Budget also proposes that no additional Section 108 Loan Guarantee commitments be made in 1987 in support of the Administration's effort to reduce Federal borrowing activities. Legislation is being proposed to repeal Section 108.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Actual 1985 obligations ($3,513,868 thousand) were slightly less than the estimate ($3,518,821 thousand) because of a smaller than anticipated amount of recaptures.

Actual outlays ($3,816,865 thousand) were less than the estimate ($3,900,000 thousand) primarily because of a slower than expected expenditure rate of the $1 billion Jobs Bill appropriation enacted in March 1983. The remaining Jobs Bill funds ($123.5 million) are projected to be disbursed in 1986.

The amount of actual loan guarantees was less than the original projection, apparently because of uncertainty about the future of the program.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget estimated obligations would be $3,129,800 thousand. Obligations are currently estimated to be $2,496,085 thousand which is $633,715 thousand less than the Budget estimate. This is due to the deferral of $500 million from 1986 to 1987 and sequestration of $134,366 thousand of the appropriation, offset by a $651 thousand carryover.

The 1986 Budget estimated outlays would be $3,520,000 thousand. Outlays are currently estimated to be $3,574,713 thousand which is $54,713 thousand more than the Budget estimate, reflecting the expenditure of the larger than anticipated obligated balance (primarily Jobs Bill funds) at the end of fiscal year 1985. The effect of sequestration on 1986 outlays is $2,687 thousand.

The 1986 Budget proposed to terminate the Section 108 Loan Guarantee program. However, the Congress continued the program for fiscal year 1986 at a $225 million level, but reduced this amount 1.1 percent ($2.5 million) to $222.5 million. Sequestration of $9.6 million reduces this limitation to $212.9 million, and the Budget proposes to reduce this authority further by $162.9 million, leaving a limitation of $50 million for use during 1986. This $50 million level will permit the Department to meet the outstanding requirements for assistance for project approvals already in process.

EXPLANATION OF INCREASES AND DECREASES

An increase of $133,715 thousand in obligations for 1987 reflects the use of the deferred funds of $500 million from the 1986 appropriation, together with the proposed 1987 appropriation of $2,124,800 thousand to provide an increased level of funding in fiscal year 1987 above what is proposed for fiscal year 1986.

A decrease of $866 million in the appropriation for 1987 reflects the Budget proposal to establish a new base level for Block Grant funding in 1987. Combining the $500 million of deferred funds with an appropriation request of $2.1 billion would make available, for allocation, $2.6 billion in 1987. The reason for estabishing a new CDBG base level is to reduce future budget authority requirements, to further the deficit reduction targets of P.L. 99-177. Legislation will be proposed to target funding to entitlement recipients with the greatest need, so as to lessen the impact of the reduced funding level on those recipients.

A decrease of $475,772 thousand in outlays for 1987 primarily reflects the reduction in Block Grant funding of $500 million in both fiscal years 1986 and 1987. The impact of the 1986 sequestration is $51,059 thousand.

No activity is shown for the Section 108 Loan Guarantee program which reflects the proposed termination of the program at the end of fiscal year 1986.

PROGRAM DESCRIPTION

1. Program Purpose. Title I of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's overall objective is to provide decent housing and a suitable living environment and expand economic opportunities, principally for persons of low- and moderate-income. This objective is achieved by limiting activities to those which carry out one of the following three broad national objectives: (1) benefit low- and moderate-income persons, (2) aid in the prevention or elimination of slums or blight, or (3) meet other particular urgent community development needs. Furthermore, the Housing and Urban-Rural Recovery Act of 1983 amended the 1974 Act to require States and entitlement communities to use at least 51 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income persons.

The program is based on the principle that recipients have the responsibility for selecting eligible activities most appropriate to their local circumstances. In addition, instead of competing for categorical project dollars each year, the entitlement communities and States have a basic grant allocation so they know in advance the approximate amount of Federal funds they will receive annually.

Community Development Grants

2. Eligible Recipients and Activities

a. Eligible Recipients. These include States, any unit of general local government (city, county, town, township, parish, village or other general purpose political subdivision as determined to be eligible for assistance by the Secretary), the District of Columbia, Guam, Virgin Islands, American Samoa, Puerto Rico, the Trust Territory of the Pacific Islands, and Indian Tribes.

b. Eligible Activities. Section 105 of the Housing and Community Development Act of 1974, as amended, permits a number of activities to be undertaken by communities assisted under the program, ranging from the provision of public facilities or services to economic development or residential rehabilitation.

3. Fund Distribution. After deducting a designated amount for the Secretary's Discretionary Fund, the balance of the funds appropriated is distributed 70 percent to entitlement communities and 30 percent to States for their nonentitlement communities (small cities). For 1987, the Administration is proposing to amend the Housing and Community Development Act of 1974 by changing the distribution from 70/30 percent to 65/35 percent to allow more of the community development activities currently funded by the Farmers Home Administration to be undertaken by small communities through the State CDBG program.

In addition, $500 million from the 1986 appropriation is being deferred in 1986 and will be used, together with the 1987 appropriation, to fund entitlement communities and States in fiscal year 1987.

The following table shows the actual 1985 distribution of funds as of September 30, 1985, and the currently projected distribution of funds for 1986 and 1987 by recipient category. The 1987 estimates reflect the proposed change to a 65/35 percent distribution, in addition to the $500 million deferred in fiscal year 1986.

CATEGORY	DISTRIBUTION OF APPROPRIATIONS ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
ENTITLEMENT	$2,388,050	$1,702,775	$1,675,570
NONENTITLEMENT (STATES AND SMALL CITIES)	1,023,450	729,760	902,230
SUBTOTAL	3,411,500	2,432,535	2,577,800 b/
SECRETARY'S DISCRETIONARY FUND	60,500	57,899	47,000
PROPOSED DEFERRAL OF 1986 APPROPRIATION	NA	500,000	-500,000
TOTAL	3,472,000	2,990,434 a/	2,124,800

a/ Excludes $134,366 thousand of sequestered funds pursuant to P.L. 99-177.

b/ Includes $500 million deferred from 1986 to 1987.

Community Development Grants

4. Explanation of Funds Allocated by Recipient Category. The following table shows the number of recipients by category and the amount allocated to each category in fiscal years 1985, 1986, and 1987.

	FY 1985		FY 1986		FY 1987	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
			(Dollars in Millions)			
Formula Entitlements:						
Metropolitan Cities........	707	$1,954	711	$1,384	711	$1,362
Urban Counties.............	107	434	116	319	116	314
Subtotal.................	814	2,388	827	1,703	827	1,676
Nonentitlement (States and Small Cities)..............	148	1,023	150	730	51 a/	902
Secretary's Discretionary Fund......................	290	61	285	58	225	47
Deferral....................	NA	NA	NA	500	NA	-500
Total................	1,252	3,472	1,262	2,990	1,103	2,125

a/ Reflects the enactment of proposed legislation to mandate State assumption of the CDBG Small Cities program. Under this proposal, the Department would no longer directly fund any small cities.

a. Formula Entitlements. The HCD Act of 1974, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community purposes utilizing the higher of two formulas, as follows:

ORIGINAL FORMULA	SECOND FORMULA
Poverty - 50%	Poverty - 30%
Population - 25%	Population growth lag (1960-1982) - 20%
Overcrowded housing - 25%	Age of housing stock - 50%

"Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data.

"Population growth lag" means the difference between the current population of a metropolitan city or urban county and the population it would have had if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

-- Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and central cities of MSAs are entitled to funding on the basis of one of the formulas. A total of 707 metropolitan cities were eligible to receive grants from 1985 funds. Of these, 7 elected to enter into joint agreements with their urban counties, 691 were awarded, 1 is pending resolution of past performance problems, and 8 did not make the necessary submission.

-- Urban Counties. The legislation also entitles urban counties to formula grants. Of counties meeting the required population threshold 107 counties were funded in 1985. These urban counties included over 2,400 cooperating local incorporated units receiving funding under the program. A test for designation as an urban county requires that the county must be authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government.

The urban county must have authority to perform such functions in its participating incorporated communities either under State law or through cooperative agreements. These agreements must express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary, but the decision to participate or not is generally binding for three years.

The Administration's 1987 legislative submission to Congress will include a proposal to target the entitlement program toward recipients with the greatest need, thereby reducing the burden of the proposed reductions in CDBG funding on these recipients.

b. Nonentitlement (States and Small Cities Program). Nonentitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the origiaal formula or a second formula which is identical to that used for entitlement communities except that population is substituted for growth lag.

Presently States have the option of awarding and administering grants to nonentitled units of government. Where the State does not so elect, HUD distributes the funds. However, under the Housing and Community Development Act of 1974 as amended by the Housing and Urban-Rural Recovery Act of 1983, any State that elects to administer the Small Cities program in fiscal year 1985, or thereafter, shall be considered to have assumed this responsibility permanently, and, if it fails to provide an annual submission, funds will be reallocated among all States in the succeeding year. In 1987, the Administration is proposing legislation to mandate State administration of the CDBG Small Cities program for all States.

5. Secretary's Discretionary Fund. Under current legislation, the Secretary's Discretionary Fund consists of four program categories providing assistance for: community development for insular areas; implementation of special projects; community development for Indian Tribes; and technical assistance in planning, developing and administering programs under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5701 et seq.), as amended.

The following table shows the expected distribution of the Secretary's Discretionary Fund for 1985, 1986, and 1987. Amounts shown by categories in 1986 and 1987 are strictly estimates and may vary during the year.

ACTIVITY	DISTRIBUTION OF APPROPRIATIONS (Dollars in Thousands)		
	1985	1986 b/	1987
Insular Areas.......................................	$7,000	$6,029	$7,000
Indians..	30,000 a/	25,839	27,000
Technical Assistance...............................	14,700	14,660	10,000
Special Projects.....................................	8,800	11,371	3,000
TOTAL..	60,500	57,899	47,000

a/ Includes $1.2 million that was withheld from distribution during fiscal year 1985 pursuant to Section 515 of the Treasury - Postal Service Appropriations Act, 1985. These funds are being made available to Indian Tribes in 1986.

b/ The distribution for 1986 is based on the Department's proposed reprogramming previously submitted to the Appropriations Committees.

a. Allocation Criteria. The Department continually reviews and analyzes Secretary's Discretionary Fund activities to best determine the needs, management capacities and performance of program constituencies. This information is used in the management and allocation of the Secretary's Discretionary Fund.

b. Categories Funded. The Secretary's Discretionary Fund provides assistance for activities under the following project categories:

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(1) Insular Areas. The Secretary's Discretionary Fund is the source of funding for community development activities in the Insular Areas. Insular Areas funded include: the Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific. Typical types of projects include:

— construction or reconstruction of public works and facilities,
— housing rehabilitation,
— economic development, and
— public services.

(2) Indians. The Secretary's Discretionary Fund also is the source of funding for community development activities undertaken by Indian Tribes. There are approximately 150 Indian Tribes funded through Community Development Grants each year. Projects emphasize:

— housing rehabilitation,
— economic development,
— construction of public facilities, and
— construction of community service centers.

(3) Technical Assistance. Projects are to assist States, communities and Indian Tribes in planning, developing and administering Title I assistance, e.g., local Community Development Block Grant and Urban Development Action Grant programs (however, no assistance is planned for Action Grant programs in 1986 or 1987). The Technical Assistance program is used to provide:

— assistance to States in building their capacities or the capacity of small cities to administer the State CDBG program for nonentitlement cities (but not for State costs of actual administration of the program).

— assistance to cities in building their capacity to plan and implement local community development activities that leverage private investment.

— economic development assistance in program development and loan packaging.

— housing rehabilitation assistance in program development and financing techniques.

— assistance to Title I program participants in helping special groups in understanding and improving their capacities to participate with cities in the local community development process (however, no assistance is planned for the Community Development Work Study program in 1986 or 1987).

— training for municipal policy leaders in implementing strategies and techniques to address common community development problems, e.g., infrastructure deterioration, housing abandonment, fiscal policy and economic development.

(4) Special Projects. Projects that may be funded under this category would be used to implement special or unique projects which are otherwise authorized under the Housing and Community Development Act of 1974, as amended, but which cannot be funded appropriately under any of the other categories of the Secretary's Discretionary Fund.

6. Reallocation of Entitlement Funds. Under existing law, any amounts allocated to a metropolitan city or county in a fiscal year, which become available for reallocation, are to be reallocated in the succeeding fiscal year generally to other metropolitan cities and urban counties in the same Metropolitan Statistical Area (MSA). These communities must follow a simple certification process to qualify for receipt of these funds.

7. Reallocation of Nonentitlement Funds. Existing law requires that amounts allocated for use in a State in a fiscal year which become available for reallocation must be reallocated according to the following criteria:

— in the case of actions against small cities, amounts that become available for reallocation are to be added to amounts available for distribution in the State in the fiscal year in which the amounts become available; or

— in the case of actions against the State, these amounts will be allocated among all States in the succeeding fiscal year.

8. Loan Guarantee Authority. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees for local governments to cover the costs of acquiring real property or rehabilitating real property owned by the units of general local government.

A total of 63 loan guarantee commitments amounting to $133.5 million were issued in 1985. For fiscal year 1986, Congress enacted a $222.5 million limitation on the amount of loan guarantee commitments to be approved during the year. The Budget reflects the sequestration of $9.6 million for a reduced availability of $212.9 million. However, the Budget also proposes language to further reduce the 1986 limitation on new commitments to $50 million. No new loan guarantee authority is requested for 1987.

The Federal Financing Bank (FFB) has served as the lending source for these guaranteed loans. Financing by the FFB is now On-Budget and, therefore, FFB direct loan activity is included in the Department's budget authority and outlay totals. The effects of the 1986 sequestration and the 1986 reduction proposal follow:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
FFB Direct Loans:			
Budget Authority (Gross Loan Disbursements):			
Available or required	$102,579	$108,000	$155,000
Sequestration (P.L. 99-177)	NA	...	-4,600
Proposed Reduction	NA	...	-77,400
Total	102,579	108,000	73,000
Outlays (Gross Disbursements Less Repayments):			
Available or required	81,089	46,000	81,000
Sequestration (P.L. 99-177)	NA	...	-4,500
Proposed Reduction	NA	...	-76,500
Total	81,089	46,000	...

9. Grant Statement Requirements and Review. Before entitlement funds are awarded, a grantee must submit a statement of community development objectives and projected use of funds, together with certifications. For metropolitan cities and urban counties, the statement of projected use of funds is to consist of proposed community development activities, as well as a description of how CDBG funds have been used in previous years. In addition, the statement must include an identification of estimated amounts that will be used for activities that benefit low- and moderate-income persons.

For States, the statement is to consist of the State's community development objectives and the method by which States intend to distribute funds to units of general local government. In addition, the statement must also include: (a) a description of the use of funds under each previous allocation, and (b) an assessment of the relationship of the use of funds to the objectives identified by the State and to the national objectives.

Unlike application requirements that were in effect prior to 1982, statements submitted by entitlement communities and States are not subject to HUD approval. However, statements submitted by communities under the HUD-administered Small Cities program are subject to a competitive review and selection process. As indicated, however, legislation will be proposed to eliminate the HUD-administered Small Cities program in 1987.

10. Performance Review. Grantees are required to submit performance reports to HUD concerning the uses of their block grant funds. HUD is required to review grantees' performance, at least annually, in order to determine whether they have carried out their activities, and where applicable their HAP, in a timely manner and met program requirements and complied with all applicable laws. HUD is authorized to make adjustments in the amount of annual entitlement grants in accordance with review findings. For nonentitlement grants, HUD may adjust, reduce, or withdraw such funds, or take other action as appropriate, in response to review determinations. In the absence of a detailed application, the importance of the annual report and monitoring is increased substantially, particularly for entitlement and State grantees.

The Administration is exploring the possibility of contracting out some or all of the monitoring function for the Block Grant program in 1987 and the Department is currently conducting an A-76 study to determine the feasibility of implementing such an approach. In addition, the Salaries and Expenses Budget Justification for CPD contains a significant staff-year reduction in 1987 pending the results of the review of the Block Grant monitoring function.

PUBLIC/PRIVATE PARTNERSHIPS

Block Grant recipients are increasing their use of CDBG in combination with other local public and private resources and becoming public entrepreneurs. Not only do these grants promote a considerable amount of local fiscal leveraging of additional funding, but also the partnerships that result from these efforts tend to establish long term cooperative local arrangements which can be used to address a variety of local community and economic development issues.

HUD continues to encourage its CDBG recipients to establish long lasting, practical, local public/private partnerships. The importance of the public/private partnership concept has not diminished. American city leadership with the help of block grant funding has revolutionized the dynamics of city management, particularly as it links with the private sector. Leveraging of private resources with CDBG funds is essential in this period of reduced Federal dollars.

STATUS OF FUNDS

1. Authorization. The current authorization for the Block Grant program extends through fiscal year 1986. New authorization legislation will be required to fund the Block Grant program in fiscal year 1987. The Administration proposes the enactment of a three-year reauthorization for the Block Grant program beginning in 1987.

2. Status of Funds

a. Unobligated Balances. The following table compares program obligations with funds available for distribution by year:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Unobligated balance, start of year................	$141,821	$100,651	$600,000
Appropriation....................................	3,472,000	2,990,434	2,124,800
Recaptures.......................................	1,195	5,000	5,000
Total Available..................................	3,615,016	3,096,085	2,729,800
Obligations, gross (excluding reimbursements)....	-3,513,868	-2,496,085	-2,629,800
Lapsed...	-497	...	...
Unobligated balance, end of year.................	100,651	600,000 a/	100,000

a/ Includes $500 million deferral to be available in 1987.

The 1986 Budget assumed that there would be $100 million in unobligated funds as of September 30, 1985. However, the actual unobligated amount was $100.6 million. Unobligated Entitlement funds ($57.1 million) contributed to most of the carryover. However, most of the Entitlement and Nonentitlement carryover had been committed during the first quarter of fiscal year 1986.

Community Development Grants

The composition of the unobligated balance, end of year, is as follows:

	AMOUNT (Dollars in Millions)
ENTITLEMENT	$57.1
NONENTITLEMENT (STATES AND SMALL CITIES)	29.5
SECRETARY'S DISCRETIONARY FUND	13.7
NEIGHBORHOOD DEVELOPMENT DEMONSTRATION	.3
TOTAL	100.6

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Obligated balance, start of the year	$6,205,036	$5,890,030	$4,806,402
Obligations, gross (excluding reimbursements)	3,513,868	2,496,085	2,629,800
Subtotal	9,718,904	8,386,115	7,436,202
Outlays	-3,816,865	-3,574,713	-3,098,941
Adjustment in unexpired accounts	-1,195	-5,000	-5,000
Adjustment in expired accounts	-10,813	...	...
Obligated balance, end of year	5,890,030	4,806,402	4,332,261

The composition of the obligated balance by year of appropriation at the end of 1985, is as follows:

APPROPRIATION YEAR	AMOUNT (Dollars in Thousands)	PERCENT
1985	$3,176,670	53.9
1984	1,906,395	32.4
1983	626,503	10.6
1982	103,841	1.8
1975 - 1981	76,621	1.3
TOTAL	5,890,030	100.0

As of September 30, 1985, the majority of the 1985 funds had been obligated less than three months and the majority of the 1984 funds had been obligated for slightly more than one year. The following table reflects the status of obligated balances, by year of appropriation, as of December 31, 1985. None of the 1986 appropriation had been obligated as of December 31, 1985.

APPROPRIATION YEAR	AMOUNT (Dollars in Thousands)	PERCENT
1985	$2,967,127	59.8
1984	1,426,309	28.7
1983	430,107	8.7
1982	71,651	1.4
1975 - 1981	70,069	1.4
TOTAL	4,965,263	100.0

By September 30, 1986, it is expected that the $5.9 billion obligated balance on hand at the end of 1985 will have been reduced by approximately $3.6 billion (excluding the effect of the 1986 appropriation) and most of the remainder will have been obligated for slightly more than one year.

Community Development Grants

A total of 86.3 percent of the unexpended obligations, as of September 30, 1985, is comprised of the 1984 and 1985 appropriations.

BUDGET OUTLAYS

The basic disbursement method used in the block grant program is the letter-of-credit. Under this system of disbursement, the recipient receives funds as they are needed for community development purposes. The Department implemented the electronic transfer of funds system, under the State Small Cities program, in fiscal year 1983. This system benefits grantees by reducing the amount of time between the request and receipt of funds. The system also has been designed to allow HUD to review every drawdown request prior to transfer of funds to the grantee. This improves the Department's overall ability to monitor grantees' use of funds, while improving the total efficiency of the process.

Budget outlays are estimated at $3,575 million in fiscal year 1986 and $3,099 million in fiscal year 1987. However, actual outlays will be governed by the rate communities expend funds which have been made available. In addition, the Department proposes legislation to eliminate the present authority which allows grantees to draw down in a lump sum their total grant amount for rehabilitation activities before the funds are needed.

DISTRIBUTION OF FUNDS BY STATE

The following table shows projections of the 1985, 1986, and 1987 appropriations for Community Development Grants by State. The 1986 and 1987 allocations represent preliminary amounts which may change when final allocations are developed. The 1986 allocations exclude the $500 million deferral while the 1987 allocations include the deferred funds. The 1987 estimates also reflect the proposed change to a 65/35 percent distribution. The State amounts shown for fiscal year 1987 may also change, pending the development of proposed legislation to target entitlement funds to communities with the greatest need.

DISTRIBUTION OF COMMUNITY DEVELOPMENT GRANTS BY STATES AND TERRITORIES (Dollars in Thousands)

STATE AND TERRITORY	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Alabama	$54,102	$38,701	$43,397
Alaska	3,565	2,615	2,892
Arizona	32,819	23,502	24,306
Arkansas	27,971	20,112	23,572
California	351,432	249,314	249,978
Colorado	28,688	21,326	22,619
Connecticut	39,234	28,081	29,536
Delaware	7,579	5,365	5,580
District of Columbia	19,606	13,983	13,759
Florida	134,501	97,267	100,150
Georgia	69,596	50,269	56,059
Hawaii	15,968	11,359	11,657
Idaho	8,360	6,046	7,307
Illinois	187,096	132,464	136,384
Indiana	66,948	47,952	52,447
Iowa	38,415	27,503	31,602
Kansas	26,232	19,029	21,698
Kentucky	49,340	35,335	40,055
Louisiana	64,608	46,210	50,381
Maine	16,392	11,730	13,604
Maryland	55,468	39,451	40,284
Massachusetts	104,134	73,718	77,584
Michigan	138,700	99,052	103,281
Minnesota	54,856	39,701	42,888
Mississippi	36,884	26,555	31,816
Missouri	73,554	52,176	55,756
Montana	7,778	5,551	6,601
Nebraska	18,656	13,255	15,241

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STATE AND TERRITORY	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Nevada	$8,434	$6,016	$6,230
New Hampshire	10,496	7,445	8,547
New Jersey	110,830	78,598	78,943
New Mexico	15,378	11,073	12,624
New York	370,115	259,541	262,930
North Carolina	61,455	44,281	51,408
North Dakota	6,872	4,923	5,827
Ohio	161,478	115,055	121,089
Oklahoma	28,676	20,558	23,197
Oregon	28,472	20,261	21,804
Pennsylvania	222,114	158,199	163,703
Rhode Island	16,928	11,959	12,511
South Carolina	37,061	26,778	31,179
South Dakota	8,281	5,930	7,097
Tennessee	54,386	39,012	43,369
Texas	200,595	144,106	153,090
Utah	18,114	12,908	13,658
Vermont	6,464	4,644	5,599
Virginia	56,194	39,817	43,308
Washington	48,532	34,515	35,964
West Virginia	25,110	17,976	20,811
Wisconsin	60,851	43,550	47,573
Wyoming	3,478	2,541	2,993
Guam	...	...	...
Puerto Rico	118,704	85,227	93,912
Virgin Islands	...	...	...
TOTAL	3,411,500	2,432,535	2,577,800
Deferral	NA	500,000	-500,000
Secretary's Discretionary Fund	60,500	57,899	47,000
GRAND TOTAL	3,472,000	2,990,434 a/	2,124,800

a/ Excludes $134,366 thousand of sequestered funds.

DISTRIBUTION OF PROGRAM OBLIGATIONS

The following table shows the distribution of program obligations by funding category in 1985, 1986, and 1987.

	ACTUAL 1985	ESTIMATE 1986 (Dollars in Thousands)	ESTIMATE 1987
ENTITLEMENT	$2,433,679	$1,704,923	$1,675,570
NONENTITLEMENT (STATES AND SMALL CITIES)	1,023,801	729,223	902,230
SECRETARY'S DISCRETIONARY FUND	54,719	56,598	47,000
JOBS BILL	10	...	...
NEIGHBORHOOD DEVELOPMENT DEMONSTRATION	1,659	341	...
RECAPTURES	(1,195) a/	5,000 a/	5,000 a/
TOTAL (GROSS)	3,513,868	2,496,085	2,629,800

a/ The actual 1985 distribution of obligations by category includes the use of funds recaptured in 1985. However, an estimate of the future reuse of recaptured funds by category has not been made for fiscal years 1986 and 1987.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN DEVELOPMENT ACTION GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Levels:					
Grant Announcements (Gross):					
Number	357	...	141	...	-141
Amount	$479,966	...	$185,423	...	-$185,423
Grant Obligations:					
Number	373	...	170	...	-170
Amount	$559,301	...	$249,747	...	-$249,747
Appropriations (Budget Authority):					
Enacted or Proposed	440,000	...	330,000	...	-330,000
Sequestration	NA	NA	-14,190	...	+14,190
Rescission (Proposed)	NA	NA	-206,378	...	+206,378
Total	440,000	...	109,432	...	-109,432
Budget Outlays	496,685	522,000	488,300	413,150	-75,150

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes termination of the Urban Development Action Grants program in fiscal year 1987 and legislation to repeal the program authorization--Section 119 of the Housing and Community Development Act of 1974. In addition, $220.1 million are proposed for rescission, including $206.4 million of the 1986 appropriation and an estimated $13.7 million from prior year appropriations.

The program is proposed for termination consistent with the Administration's desire to meet the deficit reduction targets set by the Balanced Budget and Emergency Deficit Control Act of 1985. Communities may, at their discretion, continue to use their Community Development Block Grant funds or other resources as a means of leveraging private investment in economic development projects.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Actual 1985 announcements ($479.9 million) were less than the estimate ($500.1 million), due primarily to the timing of the September Large City round which was not announced until the beginning of fiscal year 1986. The 1986 Budget had assumed a September announcement date.

Actual obligations ($559.3 million) were less than the amount estimated ($656.0 million), due primarily to the change in timing of announcing the September Large City Round.

Actual outlays ($496.7 million) were slightly less than the estimate ($500.0 million). This was due to the reduced level of actual obligations in 1985 from that originally estimated.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget did not project any announcements, as compared to the current estimate of $185.4 million. The current estimate reflects the Budget assumption that the UDAG program will be terminated after the end of the January Large Cities Round instead of at the end of fiscal year 1985 as had been originally proposed in the 1986 Budget.

Urban Development Action Grants

Program obligations were also estimated to be zero in the 1986 Budget. The current estimate is $249.7 million. Again, the current estimate reflects the Budget assumption that the program will be terminated after the end of the January Large Cities round instead of at the end of fiscal year 1985 as had been originally proposed in the 1986 Budget.

Outlays in the 1986 Budget were estimated to be $522 million, whereas 1986 outlays are currently estimated at $488.3 million. Outlays are expected to be lower in 1986 than the original projection primarily because of the reduction in 1985 obligations, and also because of the 1986 sequestration and rescission proposal. The outlay savings in 1986 resulting from the sequestration and rescission proposals are $710 thousand and $11.0 million, respectively.

EXPLANATION OF INCREASES AND DECREASES

The elimination of announcements, obligations and appropriations assume the termination of the UDAG program in fiscal year 1986.

A decrease in the outlays of $75.1 million, as compared to 1986, reflects the reduced obligation amount and the termination of the program in fiscal year 1986. The 1987 outlay savings specifically attributable to the 1986 sequestration and rescission proposal are $2.8 million and $44.0 million, respectively.

PROGRAM DESCRIPTION

1. Authorization. Section 119 of the Housing and Community Development Act of 1974, as amended, authorizes grants to cities and urban counties which are experiencing severe economic distress to help stimulate economic development activity needed to aid in economic recovery. In 1979, Section 119 was amended to include jurisdictions which were previously ineligible due to their generally healthy economic and fiscal conditions but which contain pockets of severe distress requiring increased public and private assistance to provide jobs and enhanced physical environment for low- and moderate-income residents of the "pocket." The Housing and Urban-Rural Recovery Act of 1983 amended Section 119 further by adding labor surplus as a criteria for eligibility.

2. Purpose. The Urban Development Action Grants program was designed to revitalize distressed communities by stimulating economic development, which in turn creates new permanent jobs and new tax revenues. This program required evidence of private sector financial commitments to a proposed project before action grants were approved.

The "pockets of poverty" provision of the action grant program extended the use of assistance to generally non-distressed communities. Assistance is made available to these communities to revitalize relatively large distressed areas within their boundaries. The Secretary is authorized to use up to, but no more than, 20 percent of the UDAG funds appropriated for use in any fiscal year for the purpose of making grants to eligible pockets of poverty jurisdictions.

3. Eligible Recipients and Activities.

a. Eligible Recipients. Urban Development Action Grants have been restricted, except for the pockets of poverty provision, to cities and urban counties that meet minimum standards of physical and economic distress; have demonstrated reasonable results in providing housing for persons of low- and moderate-income; and have demonstrated reasonable results in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups. Not less than 25 percent of funds must be allocated for cities under 50,000 population which are not central cities of a metropolitan area.

Effective February 13, 1986, 427 large cities, 20 urban counties, and over 11,000 small cities met the minimum standards of distress.

b. Eligible Activities. Activities eligible for assistance under the Community Development Block Grant (CDBG) program are also eligible under the Urban Development Action Grants (UDAG) program, with the following exceptions:

- — metropolitan cities and urban counties may not use UDAG funds to plan the project or develop the application; and
- — public services eligible for funding under the CDBG program may not be undertaken with UDAG funds.

Urban Development Action Grants

Activities not eligible under the CDBG program, may be eligible under the Urban Development Action Grants program if they will revitalize the applicant's economic base or reclaim neighborhoods having excessive housing abandonment or deterioration.

No assistance is provided for projects intended to facilitate the relocation of industrial or commercial plants or facilities from one area to another unless the Secretary finds that a project will not significantly and adversely affect the unemployment level or economic base of the area of origin.

4. Eligibility Criteria.

a. Metropolitan Cities, other cities over 50,000 and Urban Counties. These applicants must meet three of seven minimum standards of physical and economic distress on the basis of data for the city or county as a whole. If the applicant's percentage of poverty is less than one-half of the HUD established standard, the applicant must meet four of seven factors. HUD periodically publishes notices in the Federal Register stating the minimum levels that applicants must meet in the following areas. (These are based on the data from the Bureau of the Census and the Bureau of Labor Statistics).

— Age of housing
— Per capita income change
— Population lag/decline
— Unemployment
— Poverty
— Job lag/decline
— Labor surplus

b. Small Cities. These applicants must meet the minimum standards appropriate for their size. Two size classes are used based on the most recent data from the Bureau of the Census. The exact standards and the cities meeting them are published periodically in a Federal Register notice.

(1) Small cities of less than 25,000 population generally must meet minimum standards in three of the following five areas.

— Age of housing
— Per capita income change
— Poverty
— Population lag/decline
— Labor surplus

Small cities of less than 25,000 population whose poverty level is twice the HUD standard must meet only one other standard. Those cities whose percentage of year-round housing units constructed prior to 1940 is twice the HUD standard may qualify if they meet only the poverty standard. In addition, cities whose percentage of poverty is less than one-half the HUD standard must meet four other minimum standards.

(2) Small cities of 25,000 population but not greater than 50,000 must meet minimum standards in three of six areas.

— Age of housing
— Per capita income change
— Poverty
— Population lag/decline
— Job lag/decline
— Labor surplus

The same special consideration given to small cities has also been given to these larger cities having twice the HUD standard for poverty and housing units constructed prior to 1940. Also, cities whose percentage of poverty is less than one-half the HUD standard must meet four other minimum standards.

c. Pockets of Poverty. A city or urban county not meeting the minimum standards of physical and economic distress based on data for the community as a whole may qualify as an applicant for action grants if it contains a "pocket" consisting of a specifically defined geographic area meeting all of the following criteria:

(1) Cities over 50,000 and Urban Counties.

— Area. The pocket of poverty must be an area composed of contiguous census tracts, enumeration districts or block groups. The geographic area must contain at least 10,000 people or 10 percent of the jurisdiction's population, whichever is less. In the case of an urban county where the pocket of poverty is located within a census designated place, the population of the pocket of poverty must be 10 percent of the population of the census designated place or 2,500, whichever is greater. Enumeration districts and block groups with median income levels greater than 120 percent of the median income of the jurisdiction must be excluded in defining the pocket of poverty.

— Income. At least 70 percent of the residents in the pocket of poverty must have incomes below 80 percent of the jurisdiction's median income.

— Poverty. At least 30 percent of the residents in the pocket of poverty must have incomes below the national poverty level.

(2) Small Cities. Cities with populations less than 50,000 must meet the same standards as for cities over 50,000 except that the defined geographic area must contain at least 2,500 persons or 10 percent of the jurisdiction's population, whichever is greater.

5. Feasibility and Effectiveness Criteria. Because the program assists distressed cities which require increased public assistance and private investment, no application is funded unless private resources are committed to the project. The private commitment must have a clear, direct relationship to the project and be identified in the application.

6. Criteria for Selection.

a. Cities and Urban Counties. The following criteria are used in making grants:

(1) The primary criterion is the comparative degree of economic distress among applicants, based on the following factors, which are weighted:

(a) the percentage of their year round housing stock that was built before 1940 (50 percent);
(b) the percentage of their 1980 population that was in poverty (30 percent); and
(c) the percentage of population growth from a base year (20 percent).

(2) The comparative degree of physical and economic deterioration of applicants, including per capita income change, unemployment, job/lag decline, or labor surplus areas;

(3) The nature and extent (amount of leveraging ratio) of financial participation by private entities in the proposed project;

(4) The demonstrated performance of the applicant in carrying out housing and community development programs;

(5) The extent of financial assistance to be made available by the State;

(6) The nature and extent of financial participation by the applicant;

(7) The impact of the proposed project on the physical, fiscal, economic or employment deterioration of the community;

(8) The feasibility of quickly completing the project within the resources to be provided;

(9) The extent of relocation/displacement caused by the project;

(10) The extent to which the project conserves scarce fuel or develops alternative sources of fuel; and

(11) The Secretary's determination that the project requires action grant funds (commonly referred to as the "But For" requirement) and that the grant is the least amount necessary to complete the project.

b. Pockets of Poverty Communities. Proposals for pockets of poverty have been considered seperately from those submitted by distressed cities and urban counties. However, the selection criteria of (3) through (11) above is used to select projects for funding. Each project submitted by a jurisdiction eligible on the basis of a pocket of poverty must compare favorably on it own merits with any other UDAG project to be selected for funding.

7. Annual Reviews and Audits. The Department reviews and audits, at least annually, the progress of grant recipients in carrying out activities according to approved plans. The Department may adjust, reduce or withdraw grant funds, or take other action based on these reviews and audits, except funds already expended on eligible activities may not be recaptured or deducted from future grants made to the recipient.

PROGRAM ACTIVITY

1. UDAG Preliminary Approvals and Private Investment. Urban Development Action Grants are announced for large and small cities on a scheduled basis throughout the year. Since the inception of the program through February 6, 1986, 3,545 applications for large cities in the amount of $7.7 billion and 3,373 applications for small cities in the amount of $3.2 billion have been considered fundable.

2,678 projects for $4.0 billion have been announced since the inception of the program, excluding projects terminated before expenditure of funds. The following table shows the ratio of private funds to UDAG funds for these announced projects:

PRIVATE INVESTMENT AND UDAG FUNDS CUMULATIVE FROM BEGINNING OF PROGRAM THROUGH FEBRUARY 6, 1986

	METRO CITIES AND URBAN COUNTIES	SMALL CITIES	TOTAL	RATIO
		(Dollars in Millions)		
Number of projects..............	1,487	1,191	2,678	
Amount:				
Private.......................	$17,412	$6,797	$24,209	
UDAG..........................	3,032	1,013	4,045	5.98

For all grants announced through the January Large City round (announced February 6, 1986), action grant funds have leveraged an estimated commitment of $5.98 of private investment for each dollar of action grant funds awarded. This ratio means that over $24 billion of private money has been leveraged by $4.0 billion of UDAG funds.

2. Creation of Jobs. UDAG projects anticipate creating 528,719 new jobs in distressed communities since the beginning of the program at an average cost of $7,651 for each new permanent job. Also, about 125,489 jobs, which would otherwise have been lost, are expected to be "saved" or retained in the distressed communities. It is also anticipated that 434,584 construction jobs will be created.

3. Project Approvals. Excluding projects which have been terminated, 2,678 project approvals have been awarded. The following table illustrates the number of eligible UDAG projects funded by population size:

NUMBER OF ELIGIBLE UDAG PROJECTS FUNDED BY POPULATION SIZE
AS OF FEBRUARY 6, 1986

POPULATION GROUPINGS (UPDATED 1980 CENSUS)	TOTAL OF ALL TYPES OF PROJECTS NUMBER	AMOUNT (Dollars in Thousands)
1 million and over	197	$491,186
500,000-999,999	212	463,369
250,000-499,999	281	680,024
100,000-249,999	320	681,528
50,000-99,999	321	491,064
Total for Cities and Urban Counties over 50,000	1,331	2,807,171
25,000-49,999	348	465,689
10,000-24,999	394	358,003
5,000-9,999	248	163,886
Under 5,000	357	250,508
Total for Cities under 50,000	1,347	1,238,086
Grand Totals	2,678	4,045,257

4. Other Programs and UDAG. There are approximately 48 other Federal programs being used in 410 projects awarded Urban Development Action Grants. Participation by other Federal agencies and other public sources, including cities and States, with UDAG funded activities is estimated at $1.9 billion. This amount, together with the private investment of $24.2 billion and $4.0 billion of action grant funds, totals over $30.1 billion to support the economic development opportunities of distressed cities, towns and urban counties.

5. Project Activities. A wide range of project activities may be funded with action grant funds used for public improvements, such as roads that will foster economic development, or funds may be granted to cities which will in turn make subordinated loans directly to firms to augment private investment. In the latter case, repaying these loans to the city allows recycling of action grant funds for further economic development.

STATUS OF FUNDS

The following tables show the status of funds estimated through fiscal year 1987:

	STATUS OF AUTHORIZATION		
	ACTUAL 1985	ESTIMATE 1986 a/ (Dollars in Thousands)	ESTIMATE 1987
Authorization available or proposed	$440,000	$440,000	...
Appropriation:			
Enacted or proposed	-440,000	-330,000	...
Balance of authorization	...	110,000	...

a/ Legislation will be proposed to repeal the program's authorization, thus terminating the program in 1986.

Urban Development Action Grants

	STATUS OF APPROPRIATION		
	ACTUAL 1985	ESTIMATE 1986 (Dollars in Thousands)	ESTIMATE 1987
Unobligated balance, start of year......	$166,028	$113,999	...
Appropriation (Budget Authority):			
Enacted or proposed.....................	440,000	330,000	...
Sequestration...........................	NA	-14,190	...
Rescission..............................	NA	-206,378	...
Subtotal..........................	440,000	109,432	...
Recovery of prior year obligations......	67,455	26,316 a/	... b/
Total available...............	673,483	249,747	...
Obligations.............................	-559,301	-249,747	...
Unobligated balance lapsing.............	-183	...	...
Unobligated balance, end of year........	113,999	...	...

a/ Total recaptures are $40.0 million, of which $13.7 million are proposed for rescission.

b/ Recaptures are estimated at $25.0 million and are proposed for rescission.

	STATUS OF OBLIGATED BALANCES		
	ACTUAL 1985	ESTIMATE 1986 (Dollars in Thousands)	ESTIMATE 1987
Obligated balance, start of year.......	$1,329,539	$1,315,540	$1,050,671
Obligations, incurred..................	559,301	249,747	...
Subtotal...........................	1,888,840	1,565,287	1,050,671
Outlays................................	-496,685	-488,300	-413,150
Adjustment in expired accounts.........	-9,160	...	...
Recovery of prior year obligations.....	-67,455	-26,316 a/	... a/
Obligated balance, end of year.........	1,315,540	1,050,671	637,521

a/ Net of rescissions of $13.7 million and $25.0 million, respectively.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN HOMESTEADING

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Program Level					
Federal properties conveyed:					
Number......................	545	827	902	800	-102
Amount......................	$9,320	$12,000	$13,082	$12,000	-$1,082
Locally owned properties conveyed:					
Number......................	7a/	...	161	...	-161
Amount......................	$2,000a/	...	...	...	...
Appropriation (Budget Authority)					
Enacted or proposed...........	12,000	12,000	$11,868	12,000	+$132
Sequestration.................	NA	NA	-510	...	+510
Total.......................	12,000	12,000	11,358	12,000	+642
Budget Outlays....................	12,205	14,535	15,317	14,871	-446

a/ Set-aside of $2 million obligated; $74 thousand drawn down for 7 properties. The balance will be drawn down in 1986.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1987 Budget proposes a $12 million appropriation for Urban Homesteading.

The 1987 program includes an estimated 800 single-family federally-owned properties to be transferred at an average value of $15,000 for a total of $12 million.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The difference between the projected (554 properties) and the actual number of single-family properties conveyed (545 properties) to localities during 1985 and the increase in obligations ($9,320 thousand actual versus the $8,040 thousand estimate) are due to the fact that the average value of Federal properties transferred was higher than anticipated.

The $3 million originally projected for the multifamily homesteading demonstration is being utilized for single-family Federal properties due to lack of demand for this demonstration. The $2.0 million set-aside for the local property demonstration was obligated, but only $74 thousand was drawn down for seven properties. The balance of this set-aside will be drawn down in 1986.

Actual 1985 outlays of $12.2 million were less than the estimated $16.5 million because most obligations occurred during September. This caused a delay in recording disbursements.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The increase in obligations and the number of properties to be conveyed reflects an unobligated balance which was not projected in the 1986 Budget. The program level also reflects sequestration of $510 thousand.

The decrease in budget authority is the result of Congressional action in the 1986

Appropriation Act and the sequestration which P.L. 99-177 requires. The increase in outlays reflects a larger than anticipated obligated balance.

EXPLANATION OF INCREASES AND DECREASES

The planned use of all funds available in 1986 causes the decrease in the number of properties conveyed and in obligations. The increase in budget authority represents a return to the $12 million baseline appropriation for this program. The decrease in outlays assumes the disbursement of all funds available in 1987, and reflects the impact of the 1986 sequestration—$129 thousand.

PROGRAM DESCRIPTION

Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to transfer (without payment) to a unit of general local government, State, or public agency, any HUD-owned, unoccupied, one- to four-family residence which the Secretary determines is suitable for use in an Urban Homesteading program. The property must have been requested by the unit of general local government, State, or public agency for use in an Urban Homesteading program. Section 810 funds also are available to reimburse the Veterans Administration (VA) and the Farmers Home Administration (FmHA) for the value of their residential properties used by HUD-approved urban homesteading localities. The Department estimates approximately 125 VA and 25 FmHA properties will be transferred in each of fiscal years 1986 and 1987.

Urban Homesteading programs approved by HUD must be part of a coordinated approach toward neighborhood improvement which includes upgrading community services and facilities. A locality participating in the program must have an equitable procedure for selecting the recipients of the unoccupied residential properties. This procedure must consider the recipients' need for housing and their ability to repair and improve the property. A legislative proposal would require local agencies to give special priority to lower income families who might wish to participate in the program.

Federally-owned (HUD, VA, or FmHA) single family properties are transferred through the locality to individuals or families subject to:

- the property becoming their principal residence for at least five consecutive years;
- repairing all defects that pose a substantial danger to health and safety, within one year of the date of initial conveyance;
- meeting applicable local standards for decent, safe, and sanitary housing, within 3 years after the date of initial conveyance; and
- permitting reasonable, periodic inspection by the locality.

Under current law, a locality may not charge consideration when a property is transferred to a homesteader. A legislative proposal would permit charging consideration, except for units transferred to lower income families.

The appropriation provided for the Urban Homesteading program is used to reimburse the Federal Housing Administration (FHA) Mortgage Insurance Funds for the fair market value of HUD-owned properties transferred for use in the program. Reimbursement for VA and FmHA properties is based on the fair market value of the property or the amount of that agency's claim, whichever is the lesser. The claim is the unpaid mortgage indebtedness, the cost of acquiring the property, and the expenses connected with ownership of the property.

REHABILITATION FINANCING

Federally-owned properties are transferred to individuals and families without substantial cost. The recipient is required to pay to bring the property up to required local standards. Principal financing sources have been local banks, other private lending institutions, and local government loan programs, as well as Community Development Block Grant (CDBG) and Section 312 Rehabilitation Loan funds. The Budget, however, proposes terminating the Section 312 program during 1986.

Urban Homesteading

PROGRAM ACTIVITY

The Urban Homesteading program began as a HUD demonstration in 1975, with the number of participating localities almost tripling since the close of the demonstration in 1977 and the inauguration of Urban Homesteading as a HUD program in December 1978. Since the publication of the rules and regulations for program administration, HUD has developed and published monitoring procedures for program compliance review and an Urban Homesteading Handbook which combines descriptions of criteria for local participation, applications, reporting requirements, and assurances.

As of September 30, 1985, HUD had approved a total of 147 localities to participate in the Urban Homesteading program. HUD approves approximately ten new localities to participate in the program each year and closes out eight to ten localities from active participation. During 1985, 111 localities actively particpated in the Urban Homesteading program. Section 810 funds have been used to reimburse the FHA Mortgage Insurance Fund, the VA, and FmHA for 9,106 properties. In addition, 59 localities have enhanced program impact by including 1,246 locally acquired properties through tax default or outright purchase with CDBG funds. Localities have augmented their programs with 30 properties from VA and FmHA and 639 HUD/FHA properties purchased with funds other than Section 810 (usually CDBG). Localities have a total of 10,942 properties for use in their Urban Homesteading programs.

Of the total number of properties for Urban Homesteading, rehabilitation is completed on 8,197. Localities have transferred 9,698 properties with conditional titles to homesteaders, and 5,095 of these homesteaders have received fee simple title after completing all program requirements.

The measurable impact of property transfer and rehabilitation has been threefold: it has assisted in the upgrading of specific, targeted neighborhoods by reversing the blighting effects of a deteriorating housing stock; it has provided affordable housing to individuals and families who have had a demonstrated need; and it has increased the localities' tax revenue base. The presence of an urban homesteading effort has pointed the way for localities to address their abandoned property, deal with ownership and tax title problems, and consider adaptive reuse of these properties.

The Housing and Urban-Rural Recovery Act of 1983 amended Section 810 of the HCD Act of 1974 to permit the Department to conduct two demonstration programs during fiscal years 1984 and 1985. This amendment also required evaluation of these demonstrations. The Secretary was authorized to convey to units of general local government or public agencies any HUD-owned multifamily property which the Secretary determined suitable for use in a multifamily homesteading program. Assurance was required from the locality that, after conversion or rehabilitation, the primary use of such homestead properties would be residential and at least 75 percent of the residential occupants would be lower income families. If the unit of local government or public agency agreed, the Secretary could charge a consideration for these properties. The Secretary also was authorized to use up to $1 million of the Urban Homesteading appropriation in each of fiscal years 1984 and 1985 for a demonstration program to determine the feasibility of providing assistance to State and local governments in purchasing one- to four-family properties.

The anticipated interest in multifamily homesteading did not materialize—only six cities were identified as candidates for this demonstration. Moreover, Section 810 funds will not be used because cities are planning to use local properties, rather than HUD-held properties, and the funding authorization has expired. The $2 million set-aside was obligated for the local property demonstration in 1985, which includes $100 thousand for its evaluation. As of September 30, 1985, $74 thousand had been drawn down for seven properties, with the balance expected to be drawn down for an estimated 161 properties during 1986. The evaluations of these demonstrations are scheduled for completion in 1987.

CHARACTERISTICS OF URBAN HOMESTEADERS

Federal regulations governing HUD-approved Urban Homesteading programs are minimal, providing localities with considerable flexibility with respect to program purpose and design. As a result, characteristics of urban homesteaders may vary from community to community; however, nationally, urban homesteaders generally tend to be: minorities, moderate income, young families, and former renters in the city in which they become homesteaders.

STATUS OF FUNDS

The following table shows the 1985 through 1987 status of the Urban Homesteading funds:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
		(Dollars In Thousands)	
Unobligated balance, start of year...........	$1,040	$1,724	...
Appropriations................................	12,000	11,358	$12,000
Recoveries of prior year obligations........	4	...	...
Total Funds Available......................	13,044	13,082	12,000
Obligations (Reimbursement to FHA Fund and Other Agencies).........................	-11,320	-13,082	-12,000
Unobligated balance, end of year............	1,724	...	...

PROGRAM ACCOMPLISHMENTS

The table on the following pages reflects cumulative activity in the Urban Homesteading program. These data are derived from the Urban Homesteading Semiannual Report through September 30, 1985.

CUMULATIVE URBAN HOMESTEADING ACTIVITY

LOCALITY STATE	HUD SEC. 810	HUD OTHER	VA FmHA 810	OTHER FEDERAL NON-810	LOCAL 810	LOCAL OTHER	TOTAL	CONDI-TIONAL CONVEY-ANCE	REHAB BEGUN	REHAB COMPLETE	PROPERTY OCCUPIED	FINAL CONVEY-ANCE	REMARKS
Akron OH	21	2	14	0	0	0	37	31	31	28	31	0	
Allentown PA	5	0	0	0	0	0	5	0	0	0	0	0	
Anderson SC	13	4	0	0	0	16	33	31	27	26	26	8	
Athens OH	0	8	0	0	0	0	8	8	8	8	8	8	CLOSED OUT.
Atlanta GA	168	0	0	0	0	0	168	168	161	159	159	141	
Babylon NY	17	0	0	0	0	0	17	15	15	11	14	5	
Baltimore MD	81	0	0	0	0	2	83	79	79	75	75	41	CLOSED OUT.
Bayamon PR	70	0	0	0	0	0	70	34	34	34	34	0	
Benton Harbor MI	15	0	0	0	0	3	18	18	17	15	15	12	CLOSED OUT.
Berkeley MO	23	0	2	0	0	0	25	25	24	24	24	5	
Birmingham AL	49	0	0	0	0	0	49	49	49	41	41	0	
Boston MA	47	0	0	0	0	3	50	46	49	49	46	45	CLOSED OUT.
Bradford PA	0	1	0	0	0	6	7	7	7	5	7	3	CLOSED OUT.
Bridgeton NJ	15	0	0	0	0	0	15	13	4	3	3	3	
Brookhaven NY	105	7	0	0	0	0	112	112	112	102	102	67	
Broward Co. FL	40	0	0	0	0	0	40	35	35	35	35	8	
Buffalo NY	81	0	0	0	0	0	81	75	65	47	65	0	
Camden NJ	130	0	8	0	0	0	138	131	125	90	110	16	
Canton OH	3	0	2	0	0	0	5	2	2	1	2	0	
Chicago IL	405	24	0	0	0	31	460	426	376	286	383	216	
Cincinnati OH	131	35	17	13	0	55	251	225	211	183	183	102	
Cleveland OH	83	1	14	0	0	0	98	92	88	82	84	23	
College Station TX	0	0	0	0	0	0	0	0	0	0	0	0	Local Property Demonstration.
Columbia SC	9	0	0	0	0	0	9	6	6	4	4	0	
Columbus OH	447	40	3	0	1	8	499	459	459	387	418	242	Regular Program & Local Property Demonstration.
Compton CA	39	0	0	0	0	0	39	39	39	39	39	19	CLOSED OUT.
Cuyahoga Co. OH	4	0	1	0	0	0	5	1	1	1	1	0	
Dade Co. FL	137	0	0	0	0	6	143	109	109	108	108	40	
Dallas TX	372	0	0	0	0	0	372	372	371	371	371	351	CLOSED OUT.
Danville VA	3	0	4	0	0	0	7	4	4	4	4	0	
Davenport IA	12	0	6	0	0	17	35	25	17	14	14	0	
Dayton OH	170	0	22	0	0	0	192	176	170	157	169	89	
Decatur GA	107	6	0	0	0	0	113	113	113	113	113	100	CLOSED OUT.
Decatur IL	40	0	2	0	0	0	42	31	30	14	26	0	
Dekalb Co. GA	33	0	0	0	0	0	33	33	33	33	33	20	CLOSED OUT.
Des Moines IA	25	0	11	0	0	9	45	43	37	15	33	1	
Detroit MI	190	85	9	0	0	76	360	149	149	138	138	0	
Duluth MN	9	0	15	0	0	0	24	18	15	7	9	0	Regular Program & Local Property Demonstration.
East Liverpool OH	0	16	0	0	0	1	17	15	15	15	15	13	CLOSED OUT.
East St. Louis IL	194	0	0	0	0	0	194	188	180	181	179	132	
Eugene OR	0	0	0	0	0	0	0	0	0	0	0	0	New program-entered December 1984.
Ferguson MO	10	0	0	0	0	0	10	6	6	5	6	0	

CUMULATIVE URBAN HOMESTEADING ACTIVITY

LOCALITY STATE	HUD SEC. 810	HUD OTHER	VA FmHA 810	OTHER FEDERAL NON-810	LOCAL 810	LOCAL OTHER	TOTAL	CONDI-TIONAL CONVEY-ANCE	REHAB BEGUN	REHAB COMPLETE	PROPERTY OCCUPIED	FINAL CONVEY-ANCE	REMARKS
Flint MI	119	0	0	0	0	0	119	119	119	59	118	19	
Fort Lauderdale FL	3	0	0	0	0	0	3	0	0	0	0	0	New program-entered October 1984.
Franklin Co. OH	0	0	0	0	0	0	0	0	0	0	0	0	
Freeport NY	85	26	0	0	0	0	111	111	107	107	107	51	
Gary IN	406	186	4	1	0	0	597	448	409	267	395	225	
Genesee Co. MI	21	0	0	0	0	0	21	17	12	12	12	0	
Grand Rapids MI	7	0	3	0	0	8	18	11	11	2	7	0	
Harrisburg PA	0	0	0	0	1	0	1	0	0	0	0	0	Local Property Demonstration.
Hartford CT	0	0	1	0	0	33	34	25	25	21	21	21	
Harvey IL	11	0	0	0	0	0	11	10	5	4	5	0	
Haverhill MA	0	0	0	0	0	3	3	3	3	3	3	3	CLOSED OUT.
Hazel Park MI	6	0	0	0	0	0	6	0	0	0	0	0	CLOSED OUT.
Hempstead NY	45	12	0	0	0	0	57	57	33	33	33	5	
Highland Park MI	33	0	3	0	0	5	41	29	29	26	26	11	
Hillsborough Co. FL	2	0	0	0	0	0	2	0	0	0	0	0	New program-entered October 1984.
Hillsdale MO	10	0	0	0	0	0	10	3	2	1	2	0	
Indianapolis IN	359	0	21	0	0	26	406	395	375	301	352	221	
Islip NY	350	25	0	0	0	0	375	373	338	338	338	150	
Jackson MI	14	0	4	0	0	6	24	15	16	15	15	0	
Jacksonville FL	25	0	0	0	0	0	25	16	15	13	13	0	
James City Co. VA	0	0	14	0	0	0	14	14	14	14	14	0	
Jefferson Co. KY	82	0	0	0	0	9	91	82	81	73	78	20	
Jennings MO	39	0	0	0	0	11	50	34	34	26	34	6	
Jersey City NJ	18	0	0	0	0	0	18	14	14	14	14	14	
Joliet IL	53	3	0	0	0	5	61	51	48	48	48	42	
Kansas City MO	207	1	15	0	0	27	250	197	197	197	195	126	
Kenosha WI	10	0	2	0	0	0	12	11	10	7	9	0	
Knoxville TN	0	0	0	0	1	0	1	0	0	0	0	0	Local Property Demonstration
Lansing MI	4	0	2	0	0	1	7	6	6	5	6	0	
Lawrence MA	0	0	0	0	0	5	5	5	5	5	5	5	CLOSED OUT.
Lawton OK	0	0	0	0	0	0	0	0	0	0	0	0	New Program-entered September 1985.
Lebanon PA	0	0	0	0	0	12	12	12	12	11	10	3	
Lima OH	9	0	0	0	0	0	9	3	0	0	1	0	
Los Angeles City CA	24	0	0	0	0	0	24	24	24	24	24	24	CLOSED OUT.
Los Angeles Co. CA	2	0	0	0	0	0	2	2	2	1	1	0	
Louisville KY	55	0	8	0	0	1	64	58	58	49	49	20	Regular Program & Local Property Demonstration.
Luzerne Co. PA	0	0	0	0	0	2	2	2	2	2	2	2	CLOSED OUT.
Madison Heights MI	2	0	0	0	0	0	2	2	2	2	2	1	
Milwaukee WI	417	0	8	0	1	13	439	416	416	401	411	243	Regular Program & Local Property Demonstration.
Minneapolis MN	110	0	1	0	0	123	234	228	229	226	227	222	
Montgomery Co. OH	55	0	17	0	0	0	72	72	72	60	63	14	
Moorhead MN	2	0	3	0	0	0	5	4	4	2	2	0	

CUMULATIVE URBAN HOMESTEADING ACTIVITY

LOCALITY STATE	HUD SEC. 810	HUD OTHER	VA FmHA 810	OTHER FEDERAL NON-810	LOCAL 810	LOCAL OTHER	TOTAL	CONDI-TIONAL CONVEY-ANCE	REHAB BEGUN	REHAB COMPLETE	PROPERTY OCCUPIED	FINAL CONVEY-ANCE	REMARKS
Mt. Holly NJ	4	0	0	0	0	1	5	4	4	4	4	0	CLOSED OUT.
Nanticoke PA	0	0	0	0	0	1	1	1	1	1	1	1	CLOSED OUT.
Nassau County NY	120	24	0	0	0	0	144	142	142	137	137	119	
New Haven CT	5	0	0	0	0	26	31	21	20	20	20	2	CLOSED OUT.
New York City NY	31	0	0	0	0	76	107	107	107	75	75	75	
Newark NJ	11	0	0	0	0	1	12	2	2	2	2	2	
Newport News VA	19	0	0	0	0	0	19	19	19	18	18	16	
Northwoods MO	7	0	0	0	0	0	7	3	2	2	2	0	
Oakland CA	121	0	0	0	0	16	137	126	123	123	123	91	CLOSED OUT.
Omaha NE	68	18	42	2	1	14	145	117	103	91	94	39	Regular Program & Local Property Demonstration.
Pagedale MO	3	0	0	0	0	0	3	2	2	1	2	0	
Palm Beach Co. FL	63	0	0	0	0	2	65	65	65	65	65	29	
Paterson NJ	10	0	0	0	0	0	10	8	4	3	3	3	
Philadelphia - PA	499	23	20	0	0	38	580	549	549	549	549	234	
Phoenix AZ	99	22	0	1	0	0	122	121	120	119	120	93	
Pine Lawn MO	37	0	0	0	0	0	37	36	36	35	35	3	
Pinellas Co. FL	10	0	0	0	0	0	10	10	10	10	10	8	CLOSED OUT.
Piqua OH	1	1	0	0	0	0	2	2	2	2	2	0	CLOSED OUT.
Plainfield NJ	20	0	0	0	0	3	23	13	13	10	12	13	
Pompano Beach FL	11	0	0	0	0	0	11	0	0	0	0	0	
Port Huron MI	6	0	0	0	0	0	6	4	4	4	4	0	CLOSED OUT.
Portland OR	54	0	8	0	1	0	63	43	43	40	41	1	Regular Program & Local Property Demonstration.
Pottsville PA	0	0	0	0	0	2	2	2	2	2	2	0	CLOSED OUT.
Prince George's Co. MD	11	0	2	0	0	0	13	6	6	6	6	0	
Racine WI	23	5	3	1	0	0	32	30	30	23	30	0	
Richmond VA	6	0	0	0	0	0	6	6	6	6	6	3	
Roanoke VA	1	0	0	0	0	3	4	4	4	3	4	0	
Rochester NY	210	0	1	0	0	25	236	234	234	197	233	151	
Rock Island IL	4	0	5	0	0	0	9	8	3	3	3	0	
Rockford IL	170	0	0	0	0	37	207	202	196	193	193	154	Regular Program & Local Property Demonstration.
Saginaw MI	66	0	2	0	0	1	69	66	63	63	63	30	
Saint Louis City MO	105	0	0	0	0	0	105	77	75	41	71	41	CLOSED OUT.
Saint Louis Co. MO	18	0	0	0	0	0	18	4	4	1	1	0	
Saint Paul MN	16	1	0	0	0	238	255	251	251	186	249	240	
Saint Petersburg FL	139	0	0	0	0	0	139	132	132	128	128	88	
Salem OR	0	0	0	0	0	0	0	0	0	0	0	0	CLOSED OUT.
Shamokin PA	0	0	0	0	0	20	20	20	20	19	19	7	
Sioux City IA	22	0	11	0	0	10	43	37	33	26	26	4	
South Bend IN	157	13	6	3	0	1	180	170	147	114	148	84	
Springfield OH	26	0	7	0	0	3	36	35	29	27	28	0	
Springfield MA	27	24	0	0	0	42	93	93	93	93	93	79	
Steubenville OH	0	0	0	0	0	0	0	0	0	0	0	0	CLOSED OUT.

CUMULATIVE URBAN HOMESTEADING ACTIVITY

LOCALITY STATE	HUD SEC. 810	HUD OTHER	VA FmHA 810	OTHER FEDERAL NON-810	LOCAL 810	LOCAL OTHER	TOTAL	CONDI-TIONAL CONVEY-ANCE	REHAB BEGUN	REHAB COMPLETE	PROPERTY OCCUPIED	FINAL CONVEY-ANCE	REMARKS
Sunbury PA	0	0	0	0	0	0	0	0	0	0	0	0	CLOSED OUT.
Syracuse NY	0	0	0	0	0	57	57	12	16	10	12	12	
Tacoma WA	58	0	0	0	0	0	58	58	58	56	58	58	CLOSED OUT.
Tampa FL	48	0	3	0	0	0	51	43	43	40	40	6	
Terre Haute IN	0	0	0	0	1	0	1	0	0	0	0	0	Local Property Demonstration.
Toledo OH	172	24	42	0	0	34	272	236	209	107	183	71	
Topeka KA	4	2	15	0	0	6	27	8	8	6	8	0	
Trenton NJ	3	0	5	0	0	0	8	3	3	3	3	3	
Velda Village MO	3	0	0	0	0	0	3	2	1	1	1	0	
Vinita Park MO	2	0	0	0	0	0	2	1	1	1	1	0	
Virginia (State) VA	0	0	24	0	0	0	24	0	0	0	0	0	New program-entered December 1984.
Warner Robins GA	30	0	0	0	0	0	30	30	30	30	30	24	CLOSED OUT.
Warren OH	23	0	0	0	0	1	24	21	21	11	21	3	
Westland MI	0	0	0	0	0	0	0	0	0	0	0	0	New Program-entered December 1984.
Wilkes-Barre PA	0	0	0	0	0	0	0	0	0	0	0	0	CLOSED OUT.
Wilmington DE	107	0	0	0	0	20	127	122	122	122	122	104	
Xenia OH	6	0	0	0	0	0	6	6	6	6	6	6	CLOSED OUT.
Yakima WA	3	0	0	0	0	0	3	0	0	0	0	0	New program-entered March 1985.
Yonkers NY	0	0	0	0	0	7	7	5	5	5	5	5	
York PA	0	0	0	0	0	37	37	36	37	33	33	30	CLOSED OUT.
Youngstown OH	25	0	16	9	0	1	51	45	45	41	37	17	
NATIONAL TOTALS	8572	639	448	30	7	1246	10942	9696	9317	8197	8951	5095	

NOTES: In the third column, only 2 LUHAs (Local Urban Homesteading Agencies)--James City County, Virginia, and the State of Virginia--acquired FmHA properties. All other LUHAs used VA properties.

A number of localities with HUD approved Urban Homesteading programs use locally acquired properties only, or HUD, other Federal, and locally acquired properties. The last five columns include all properties.

A total of 147 LUHAs have been approved, 32 of which are closed out. During 1985, 111 LUHAs participated actively. In addition, of the 11 Local Property Demonstration LUHAs, 7 already were approved for the regular program and 4 are new.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

RENTAL REHABILITATION GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Program Level:					
Number of units to be rehabilitated (estimate).....	40,000	...	a/	...	...
Amount (Obligations)..........	$152,596	...	$12,471	...	-$12,471
Appropriation (Budget Authority)					
Enacted or proposed..........	...	...	75,000 b/	...	-$75,000
Sequestration................	NA	NA	-3,225	...	+3,225
Rescission (proposed).........	NA	NA	-71,775	...	+71,775
Total...............	...	...	...	...	...
Budget Outlays..................	14,371	$150,000	140,000	$135,629	-4,371

a/ Units are reported in 1984 and 1985 unit estimates.
b/ Transfer from Annual Contributions for Assisted Housing.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1987 Budget proposes the termination of the Rental Rehabilitation Grants program in fiscal year 1986. The 1986 Appropriation Act (P.L. 99-160) provided, within the Annual Contributions for the Assisted Housing account, $75 million for this program, from which $3.2 million was sequestered pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). Accordingly, a rescission of $71.8 million is now proposed consistent with the decision to terminate the program. During 1986, the Budget projects the use of $12.5 million of funds from prior year appropriations, including recaptures.

2. CHANGES FROM 1985 BUDGET ESTIMATES INCLUDED IN 1986 REQUEST

Actual obligations ($152.6 million) were less than the Budget estimate because $2 million "reserved" for technical assistance in 1985 were not obligated. These obligations are included in the 1986 estimate.

The current estimate of the number of units to be rehabilitated with 1985 obligations is increased to 40,000 units, as compared to the Budget estimate of 31,000 units. This is the direct result of a lower actual grant cost per unit ($3,815) than the $5,000 maximum per unit cost assumed in the Budget estimate.

Actual outlays of $14.4 million were considerably below the Budget estimate of $75.0 million. The Budget estimate assumed that program recipients would typically drawdown their grant funds on a staged basis during the construction period. However, the funding mechanism adopted by the major recipients, including New York City which received approximately 10 percent of the allocated funds, is based on the grant funds being used for permanent construction financing. Thus, other funds are used for the temporary contruction financing, with the grant funds not being drawn down until a project is at or near completion.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget proposed a 2-year program moratorium with no obligations in 1986. The current obligation estimate of $12.5 million includes the reallocation of $10.5 million of recaptured prior year funds and $2.0 million of carryover funds to be used for technical assistance. No 1986 appropriated funds are proposed for obligation.

Rental Rehabilitation Grants

The Congress appropriated $75 million for the Rental Rehabilitation Grants program in 1986, of which $3.2 million is sequestered. The outlay savings resulting from the sequestered funds are $1.6 million in both 1986 and 1987. The balance of the 1986 appropriation of $71.8 million is proposed for rescission, resulting in an outlay savings of $35.9 million in each of 1986 and 1987.

The revised outlay estimate of $140 million is recomputed based on the available obligated balance and the effects of the sequestration and proposed rescission.

EXPLANATION OF INCREASES AND DECREASES

The decreases in 1987 reflect the proposed termination of the program.

PROGRAM DESCRIPTION

1. Program Purpose. The Rental Rehabilitation Grants program is authorized by Section 17 of the United States Housing Act of 1937, as amended. The Administration proposed the enactment of the Rental Rehabilitation program to increase the supply of standard rental housing available to lower-income families in areas experiencing a shortage of decent rental housing units. The Rental Rehabilitation program supports the Section 8 Housing Voucher Program by allowing housing voucher holders increased rental opportunities.

The program's premise is that the subsidy for rehabilitating property should be separated from the rent subsidy for tenants. Rehabilitation subsidies are provided through a one-time, front-end mechanism such as a grant, a deferred payment loan, or a below market-rate interest loan. The Rental Rehabilitation program makes it feasible to rehabilitate rental properties for low-income families by providing the difference in what the owner can afford to borrow from a private lending institution and what it actually takes to rehabilitate the property. The rents charged for units rehabilitated in the program are market rents. Rent controls are not permitted, except for any generally applicable State and local rent control ordinances enacted prior to November 30, 1983.

Rental subsidies, provided through the Section 8 Existing Housing and Voucher programs, are used to permit eligible very low-income tenants to live in the renovated property or move to other decent housing of their own choice. Unlike other programs, no distinction or restriction is made with regard to single and multifamily properties, as long as the structures are primarily rental and residential in character.

2. Eligible Recipients. Eligible recipients include States and units of general local government. Rental Rehabilitation grants offer localities considerable flexibility in designing their particular rehabilitation program so as to best meet the needs of their neighborhoods, investors, and lenders. The locality designs its own subsidy mechanism; selects neighborhoods, types of properties and owners; and establishes relationships with private lending institutions, investors, and residents.

3. Distribution of Funds. Rental Rehabilitation funds are allocated by a formula to cities having 50,000 or more in population, to urban counties, and to States. The formula includes factors such as overcrowding, substandard housing, and low-income renter population, using the most recent Census data. To receive a direct allocation from HUD, a locality must meet a minimum allocation threshold of $50,000. Any city or urban county receiving less than this minimum, under the formula, does not receive a direct allocation, but is eligible to participate, along with other units of local government, through the State's program. Areas eligible for FmHA Rural Housing Programs (Title V) are not eligible for the Rental Rehabilitation program.

Grant funds may not finance more than 50 percent of individual rehabilitation project costs, nor may each unit cost more than $5,000 except for any adjustment in high-cost areas.

4. Eligible Activities. Grants are used to rehabilitate structures for residential rental use located in low- and moderate-income neighborhoods designated by the grantee. At least 70 percent of the units rehabilitated through this program, by each grantee, must be initially occupied by lower income tenants.

Program participants must support national historic preservation objectives in their rental rehabilitation efforts, working with their State Historic Preservation Offices on any projects where national historic preservation standards apply. Also, all units rehabilitated with funds provided under this section shall, after upgrading, meet or exceed HUD's Section 8 Housing Quality Standards. The program limits rehabilitation assistance to correcting substandard conditions, making essential improvements, and repairing major systems in danger of failure.

Localities are encouraged to delegate technical tasks to the private sector to reduce administrative overhead costs and maximize use of private sector expertise. Such tasks include preparing work write-ups and specifications; contractor selection and monitoring; private financing; feasibility analysis; underwriting; and, loan servicing.

5. Program Status. Since the legislation authorizing the Rehabilitation Program was passed in November, 1983, program regulations have been developed, State and local government officials have been trained, and grant funds have been obligated to over 472 localities, 39 States, and Puerto Rico. Average total rehabilitation cost per unit is approximately $10,300, including the Rental Rehabilitation subsidy.

MISCELLANEOUS PROVISIONS

Recipients of assistance are required to submit a program description to HUD before receiving funds. This includes certifying that their rehabilitation activities are conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 and Title VI of the Civil Rights Act of 1968. HUD also conducts annual reviews and audits, as needed, to determine whether program participants are administering their Rental Rehabilitation activities according to the law.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REHABILITATION LOANS
(SECTION 312)

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Loan Obligations:					
Number....................	3,750	...	410	...	-410
Amount....................	$75,007	...	$11,000 a/	...	-$11,000
Budget Outlays.............	-8,738	-$1,594	-3,389	-$64,924	-61,540

a/ Reflects a sequestration of $3,655 thousand and a $70,345 thousand reduction from the loan limitation of $85,000 thousand established pursuant to P.L. 99-177.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1986 Appropriation Act (P.L. 99-160) continues the Section 312 program through fiscal year 1986. The estimated loan level is $85,000,000 based on limitations established pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). However, P.L. 99-177 further reduces this level by 4.3 percent to $81,345,000. The 1987 Budget now proposes that new loan obligations be limited to an $11,000,000 level in 1986 and that the program then be terminated. This will allow the Department to fund those loan applications that were in the "pipeline" at the time the Budget decision to terminate Section 312 was made.

The Budget also proposes legislation to transfer the assets and liabilities of the Rehabilitation Loan program to the Revolving Fund (Liquidating Programs) in 1987. Following enactment of this proposal, 1987 program operating costs, estimated at $16 million, would be funded from the Revolving Fund (Liquidating Programs).

Housing rehabilitation assistance will continue to be available under the Community Development Block Grants (CDBG) program.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Pursuant to the 1985 Appropriation Act, the Department made available for loans all funds in 1985. The estimated level of new loan obligations was $129.8 million. However, due to the lowered demand for the program by communities, new loans were $75.0 million. This lowered demand is principally attributable to the high staffing costs for communities which is associated with administering the Rehabilitation Loan program. Outlays were also less than estimated due to the lower number of new loans which were made.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed termination of the program, with no loan obligations. However, Congress directed that the program be continued, with funding from the unobligated balance, loan repayments and other income. The 1987 Budget now proposes that the program continue in 1986 at a level of $11 million to fund commitments in the pipeline, after which the program will be terminated. The slight increase in the net receipt estimate is based on the revised loan obligation levels in 1985 and 1986.

EXPLANATION OF INCREASES AND DECREASES

The program is proposed for termination in 1986.

Rehabilitation Loans

PROGRAM DESCRIPTION

Section 312 of the Housing Act of 1964, as amended, authorizes the Secretary to make rehabilitation loans for single family and multifamily residential properties and non-residential properties. Loans may only be made if the rehabilitation is: (1) necessary for the execution of an approved community development program under Title I of the Housing and Community Development Act of 1974, as amended; or (2) is in support of an approved Urban Homesteading program under Section 810 of the same Act.

In making Section 312 loans, priority generally is given to applications submitted by low- and moderate-income persons who own property and will occupy it upon completion of rehabilitation.

The Department charges a minimum interest rate of three percent for low-income families and a "floating" interest rate for all other loans. This latter rate is computed by using the rates published in the press on the day the loans are approved. Also, the Department charges Section 312 applicants an application fee and a risk fee for each loan. The latter is an addition to the basic interest rate charged the borrower. The risk fee is being charged to compensate for losses in the program. The funds collected from the application and risk fees will be credited to the Section 312 account.

The terms of a Section 312 loan cannot exceed 20 years or three-fourths of the remaining economic life of the property, whichever is shorter.

LOAN MANAGEMENT

The Section 312 Rehabilitation Loan portfolio is serviced by a network of servicers whose performance is supervised by a master servicer, who is also responsible for servicing all loans originated since 1982 and all loans which become seriously delinquent.

Major loan servicing accomplishments include:

- an increase of 12 percent in collections for the entire Section 312 portfolio from $80.6 million in 1984 to $89.9 million in 1985, and a 24 percent increase in collections for the HUD administrated (CMS-serviced) portfolio from $23.2 million in 1984 to $28.9 million in 1985.

- nationwide implementation of a cash management system saved substantial amounts of federal funds by ending the practice of placing Section 312 funds in local escrow accounts during construction. The cash management system also enables the Department to better monitor construction progress on Section 312 loans which will reduce delinquencies in the future.

- the table below reflects the status of the Rehabilitation Loan Fund portfolio as of September 30, 1985 (includes all delinquent and non-delinquent loans). The table excludes loans which are in the process of foreclosure.

	LOANS	OUTSTANDING BALANCE (Millions)
FNMA-administered servicing...	45,689	$434.6
HUD-administered..............	14,018	270.4
Total.........................	59,707	705.0

Rehabilitation Loans

FUNDS AVAILABLE

The table below shows the status of the Rehabilitation Loan Fund. The income in fiscal year 1987 assumes the receipt of $1 million which would result from the proposed sale of $10 million from the loan portfolio.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 c/
	(Dollars in Thousands)		
SOURCE OF FUNDS			
Unobligated balance, start of year	$51,712	$64,312	$134,787
Recovery of prior year commitments	12,241	10,000	1,000
Fees and premiums.................	...	176	...
Loan repayments and other income..	91,403	91,000	91,000
Less: Sequestration.............	NA	-4,502 a/	...
Total funds available...........	155,356	160,986	226,787
APPLICATION OF FUNDS			
Loan obligations..................	75,007	11,000	...
Loan servicing....................	8,904	10,853 b/	9,000
Acquired Security and Collateral..	7,134	8,000	7,000
Total use of funds............	91,045	29,853	16,000
Sequestered funds, not available for use.........................	NA	-3,655	...
Unobligated balance, end of year..	64,312	134,787	210,787

a/ The amount shown is consistent with the Budget and includes the sequestration of $3,655 thousand of loan funds and $847 thousand of administrative expenses funds, as a result of savings required by the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177). The GAO, however, later deleted the sequestration of the $847 thousand and it is no longer applicable.

b/ Amount shown is net of a $847 thousand sequestration for administrative expenses, which is consistent with the Budget. However, the $847 thousand will be available for use in 1986 based on the GAO action.

c/ Shown for information only. Assets and liabilities will be transferred to the Revolving Fund (Liquidating Programs).

PROGRAM EVALUATION

The Housing and Community Development Amendments of 1978 require HUD to report to Congress on the Section 312 program in conjunction with the Consolidated Annual Report on Community Development Programs as required by Section 113(a) of the Housing and Community Development Act of 1974. The Report is a summary of the use of Section 312 funds, particularly with regard to the types of neighborhoods and persons aided, and an evaluation of progress made toward community development goals under Section 312. The requirement is met by this consolidated report, which also includes UDAG, Block Grants, Urban Homesteading, and Rental Rehabilitation Grants and is scheduled to be published in March, 1986.

Rehabilitation Loans

STATUS OF PROGRAM OBLIGATIONS

The table below shows the status of Section 312 obligations.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 b/
	(Dollars in Thousands)		
Obligated balance, start of year..........	$82,870	$79,009	$11,075
Obligations:			
Loans..................................	75,007	11,000	...
Other program expenses..................	16,038	18,853 a/	16,000
Subtotal............................	173,915	108,862	27,075
Less:			
Repayments, other income, and recaptures	103,644	101,176	92,000
Outlays.................................	-8,738	-3,389 a/	-64,924
Obligated balance, end of year............	79,009	11,075	...

a/ Amounts shown are net of a $847 thousand sequestration of administrative expense funds, which is consistent with the Budget. However, these funds are available for use in 1986 based on the GAO action.

b/ Shown for information only. Assets and liabilities will be transferred to the Revolving Fund (Liquidating Programs).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN RENEWAL PROGRAMS

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987 a/	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Level					
Grant Reservations..........	$2,000	...	$7,626	...	-$7,626
Appropriation - Liquidation of Unfunded Contract Authority	22,902	...	...	...	...
Budget Outlays					
Grants......................	28,360	$35,000	35,000	$12,858	-22,142
Loans.......................	-21,773	-90	-397	-407	-10
Total.......................	6,587	34,910	34,603	12,451	-22,152

a/ The amounts shown here are for information purposes and have been included within the totals for the Revolving Fund (Liquidating Programs).

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No new budget authority is required for the Urban Renewal Programs, and the assets and liabilities will be transferred to the Revolving Fund (Liquidating Programs) at the end of 1986, as authorized by the Housing and Community Development Act of 1974.

The Budget assumes that the four remaining active urban renewal projects will closeout by the end of 1986. Grant disbursements will occur through 1987, as the result of closeout agreements for these and other projects.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual amount of grant funds available for use in 1985 was $19.2 million. Of this amount it was assumed that $10.0 million would be committed during 1985 to closeout the remaining urban renewal projects and $9.2 million would be transferred to the Revolving Fund. However, only the status of one project was resolved for which $2.0 was committed.

Actual grant outlays of $28.4 million were less than the $35.0 million estimate because all projects did not progress to the drawdown stage as expected.

Actual loan net receipts ($21.8 million) exceeded the projected $20.5 million.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed that the program would be closed out and transferred to the Revolving Fund at the end of fiscal 1985. The 1987 Budget assumes the program will continue during 1986, with $7.6 million being reserved to closeout one remaining project, and the transfer to the Revolving Fund will occur at the end of fiscal 1986.

EXPLANATION OF INCREASES AND DECREASES

The assets and liabilities of the Urban Renewal Fund will be transferred to the Revolving Fund (Liquidating Programs) at the end of fiscal year 1986, with remaining grant and direct loan disbursements anticipated during 1987.

Urban Renewal Programs

PROGRAM DESCRIPTION

Title I of the Housing Act of 1949, as amended, authorized Federal assistance through grants, direct loans, and loan guarantees to local public agencies to prevent and eliminate urban slums and blight; to preserve existing low- and moderate-income housing; and to provide maximum opportunity for private enterprise redevelopment.

The eligible activities for which Federal funds have been used include acquisition of real property; demolition and removal of buildings; installation, construction or reconstruction of streets, utilities and other site improvements; rehabilitation and repair of structures; and administration and interest costs to carry out the project. With certain limited exceptions, Federal grants were approved for up to two-thirds of the net project cost.

Temporary loan assistance for planning, initial financing of projects under contract, and for other purposes has been available from a Treasury borrowing authority of $1 billion. Under this authority, $800 million had been borrowed and repaid.

Most loans had been obtained by borrowing on the private market and were repaid from the proceeds of land sales and from local and Federal cash grants. The Budget anticipates no additional loan requirements for the remaining projects, but some guaranteed (long-term) loans will continue to be outstanding until all projects previously approved are settled.

PROGRAM ACTIVITY

Urban Renewal program grant and loan disbursements will continue until all projects are financially completed. The following tables show the status of obligated grant balances and project completions:

STATUS OF OBLIGATED BALANCES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 a/
	(Dollars in Thousands)		
Obligated balance, start of year	$58,736	$41,232	$12,858
Obligations incurred	20,635	7,626	...
Recaptures	-9,779	-1,000	...
Subtotal	69,592	47,858	12,858
Grant disbursements	-28,360	-35,000	-12,858
Obligated balance, end of year	41,232	12,858	...

STATUS OF PROJECT COMPLETIONS

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 a/
Urban Renewal, Neighborhood Development and Code Enforcement Projects:			
Active, start of year	6	4	...
Completed in year	-2	-4	...
Active, end of year	4	...	...
Completed, start of year	2,783	2,785	2,789
Completed in year	2	4	...
Completed, end of year	2,785	2,789	2,789
Total Urban Renewal Programs			
Active, end of year	4	...	...
Completed, end of year	2,785	2,789	2,789
Total	2,789	2,789	2,789

a/ The assets and liabilities of the Urban Renewal programs will be transferred to the Revolving Fund (Liquidating Programs) at the end of 1986. The amounts shown in 1987 are for information.

Urban Renewal Programs

The Department's policy has been to complete the remaining projects as expeditiously as possible and at the least additional cost to the Federal Government. This policy has been based on the following funding options being available:

1. CDBG entitlement funds,
2. Urban Renewal recaptures,
3. land sale proceeds,
4. renewal agencies reducing the scope of remaining activities for projects in a deficit situation, and
5. any combination of the above.

Permanent Indefinite Appropriation to Liquidate Unfunded Contract Authority. Prior to 1966, appropriations were requested and enacted only for amounts needed for payment on contracts entered into under prior "back-door" financing procedures. After 1966, appropriations for urban renewal were equal to the new authority released in Appropriation Acts. The program was terminated for new projects by the Housing and Community Development Act of 1974.

To fund any remaining unfunded balances, Section 117(a) of the Housing and Community Development Act of 1974 provides a permanent indefinite appropriation for the liquidation of contracts for projects or programs for which funds have been committed prior to January 1, 1975.

The remainder of the required indefinite appropriation--$22,902,000--was made available in 1985 to liquidate unfunded contracts. All grant disbursements are estimated to be completed by the end of 1987.

The status of the cash balances in the Urban Renewal Grants Fund is shown in the following table:

STATUS OF GRANT CASH BALANCES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 a/
		(Dollars in Thousands)	
Cash balance, start of year................	$75,297	$69,839	$34,839
Permanent indefinite appropriation........	22,902	...	...
Grant outlays..............................	-28,360	-35,000	-12,858
Cash balance, end of year..................	69,839	34,839	-21,981

a/ The amounts shown in 1987 are for information purposes and have been included within the totals for the Revolving Fund (Liquidating Programs).

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REVOLVING FUND (LIQUIDATING PROGRAMS)

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Income					
Repayment of loans, mortgages and advances....	$17,749	$15,600	$18,000	$18,407	+$407
Interest and other income...	21,718	17,714	22,015	21,043	-972
Total..................	39,467	33,314	40,015	39,450	-565
Repayment of Investment to Treasury: Cumulative.......	1,238,478	1,281,600	1,258,478	1,308,478	+50,000
Net Book Value, End of Year					
Revolving Fund (programs through 1985)............	468,958	453,704	436,206	411,430	-24,776
Urban Renewal..............	...	21,667	...	6,687	+6,687
Total......................	468,958	475,371	436,206	418,117	-18,089
Budget Outlays					
Revolving Fund (programs through 1985)............	-28,822	-17,275	-29,616	-29,400	+216
Urban Renewal Grants........	NA	35,000	NA	12,858	+12,858
Urban Renewal Loans.........	NA	-90	NA	-407	-407
Total Outlays.............	-28,822	17,635	-29,616	-16,949	+12,667

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The expenses of the Revolving Fund (Liquidating Programs) are generally financed from repayments of loans, mortgages, and advances, and no appropriation to the account is requested. An appropriation of $1,079 thousand is required, however, to cover interest payments to holders of participation certificates due to an anticipated insufficiency in the Federal Asset Financing Trust. This appropriation request is covered in GNMA's appropriation for "Payment of Participation Sales Insufficiencies" account.

The Budget reflects the transfer of the assets and liabilities of the Urban Renewal programs to the Revolving Fund at the end of 1986, as authorized by the Housing and Community Development Act of 1974. In addition, the Section 312 Rehabilitation Loan program is proposed for termination in 1986 and transfer to the Revolving Fund (Liquidating Programs). Since Congressional action is required to effect this latter termination and transfer, the Budget does not reflect its impact within the Revolving Fund.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Total receipts of $39.5 million exceeded the projected $33.9 million primarily because of increased loan collections. This increased income had a direct impact on outlays.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The 1986 Budget assumed the transfer of the assets and liabilities of the Urban Renewal programs at the end of 1985 and that $43.1 million would be paid to the Treasury. The transfer did not materialize, and this is the primary reason for the differences between the 1986 Budget and current estimates.

Revolving Fund (Liquidating Programs)

EXPLANATION OF INCREASES AND DECREASES

The proposed transfer of the Urban Renewal programs to the Revolving Fund at the end of fiscal year 1986 impacts the levels of income, disbursement, asset valuation and amounts available to the Treasury. Therefore, the Urban Renewal amounts are shown separately to highlight that impact. Based on anticipated receipts exceeding disbursements, $50 million is expected to be returned to the Treasury in 1987.

FUND DESCRIPTION

The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act, 1955, to provide a single fund to assist in the efficient liquidation of assets acquired under various housing and urban development programs. The assets of certain war and emergency housing constructed under the Lanham and Related Acts, Alaska Prefabricated Housing, War Public Works, Defense Community Facilities and Reconstruction Finance Corporation public agency loan programs initially were included in this Fund. At the end of 1970, the Public Works Planning Advances, Grants to Aid Advance Acquisition of Land, and the Alaska Housing Grants and Loans Programs were terminated and the assets were transferred to this Fund for liquidation. In 1975, the assets and liabilities of four community development categorical programs comprised of Basic Water and Sewer Facilities, Neighborhood Facilities, Open Space Land, and Public Facility Loans were included in the Fund pursuant to Section 117(b) of the Housing and Community Development Act of 1974 which provided for such transfers to facilitate liquidation of the programs. In 1984, the New Communities program was transferred to the Revolving Fund, and the Department proposes to transfer the Urban Renewal and the Section 312 Rehabilitation Loan programs to the Revolving Fund at the end of 1986.

PROGRAM ACTIVITY

The following table shows the status of the Revolving Fund for each fiscal year:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987 a/
	(Dollars in Thousands)		
SOURCE OF FUNDS			
Unobligated balance, start of year	$14,795	$19,382	$10,081
Appropriations for Participation Sales Insufficiencies (transfer from Payment of Participation Sales Insufficiencies)	490	...	1,079
Unobligated balance transferred from Urban Renewal:			
Loans	...	...	12,259
Grants	...	...	21,981
Other Income:			
Collections	36,830	37,000	36,000
Interest and loan repayments	...	...	409
Recovery of prior year obligations	590	...	...
Net investment income from the Participation Sales Fund	2,637	3,015	3,041
Total Source of Funds	55,341	59,397	84,850
APPLICATION OF FUNDS			
Obligations incurred	4,890	4,949	3,997
Unobligated balance transferred to Participation Sales Fund, net	4,503	24,367	17,255
Contract authority withdrawn	26,566	...	...
Repayment to Treasury	...	20,000	50,000
Total Application of Funds	35,959	49,316	71,252
Unobligated balance, end of year	19,382	10,081	13,598

a/ Does not include the Rehabilitation Loan Fund financial activity, but does reflect Urban Renewal programs being incorporated into the Revolving Fund.

Revolving Fund (Liquidating Programs)

1. SUMMARY OF PROGRAMS INCLUDED IN THE REVOLVING FUND

As of September 30, 1985, program assets were approximately $492,942 thousand with a net book value of $468,958 thousand after allowances for losses. At the end of 1985, $1,238,478 thousand had been recovered and transferred to the Treasury.

a. Original Programs. The programs included in the Revolving Fund by the Independent Offices Appropriation Act, 1955, had been capitalized with more than $2.5 billion. However, when the Revolving Fund was established with an effective date of June 30, 1954, net assets had been reduced to $899.6 million.

b. Programs Included in 1971. The Public Works Planning Advances, Advance Acquisition of Land and Alaska Housing programs were terminated at the end of fiscal year 1970 and their assets were transferred into this Fund for liquidation in 1971.

c. Programs Included in 1975. New approvals for Basic Water and Sewer Facilities, Open Space Land, Neighborhood Facilities and Public Facility Loan programs were discontinued in 1973. The Housing and Community Development Act of 1974 terminated these programs in 1975 and authorized the transfer of program assets into this Fund for liquidation.

d. Program included in 1984. The assets and liabilities of the New Communities program were transferred into the Revolving Fund in 1984.

2. SUMMARY OF THE VARIOUS ASSETS WITHIN THE REVOLVING FUND

	Net Assets
Public Agency Loans	$1,213,152
Public Works Planning	5,680,306
Public Facility Loans	371,053,068
New Communities	12,326,800
Other Assets	78,684,951
	468,958,277

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion of the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a seperate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years — 1985, 1986, and 1987.

BUDGET ACTIVITY 5: COMMUNITY PLANNING AND DEVELOPMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Total Budget Activity................	$58,642	$52,116	$53,469	$46,237	-$7,232
Full-Time Permanent Appointments, End of Year..........................	1,163	883	905	799	-106
Full-Time Equivalents................	1,224.8	1,054.4	1,090.3	864.3	-226.0
Staff-Years..........................	1,235.5	1,114.9	1,104.2	882.0	-222.2

SUMMARY OF BUDGET REQUEST

The 1987 request is for $46,237 thousand and 799 positions, decreases of $7,232 thousand and 106 positions from the 1986 levels.

The funding reduction consists of $8,059 thousand for personal services costs consistent with the staff reduction, partially offset by a net increase of $827 thousand for support costs, principally for automated data processing services.

The staffing reductions for 1986 and 1987 reflect rescissions, deferrals, and other reductions, and the termination of the Urban Development Action Grant (UDAG), Rental Rehabilitation Grant, Rehabilitation Loans (Section 312), and Section 108 Loan Guarantee programs in 1987. In addition, a reduction is proposed for Community Development Block Grant (CDBG) staffing pending the results of an A-76 review to contract out some or all of CBDG monitoring.

FUNDING

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services......................	$50,851	$43,833	$46,603	$38,544	-$8,059
Travel and Transportation of Persons..	1,180	1,131	1,113	979	-134
Transportation of Things...............	60	69	69	69	...
Rent, Communications and Utilities....	895	893	949	995	+46
Printing and Reproduction..............	340	322	272	348	+76
Other Services.........................	4,774	5,057	3,906	4,720	+814
ADP Services.........................	(3,928)	(4,178)	(3,062)	(3,682)	(+620)
Contracts............................	(453)	(275)	(300)	(420)	(+120)
Supplies and Materials.................	311	423	332	375	+43
Furniture and Equipment................	230	381	218	200	-18
Insurance and Indemnities..............	1	7	7	7	...
Total..................................	58,642	52,116	53,469	46,237	-7,232

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $58,642 thousand were $2,088 thousand less than the previously provided estimate of $60,730 thousand. The decrease consists of $2,143 thousand for personal services costs due to lower than anticipated staffing levels, partially offset by a net increase of $55 thousand for higher than estimated support costs.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate..	$52,116
Add amendment to restore proposed five percent pay reduction..	+2,003
Add action by the Congress on the 1986 request for "Salaries and Expenses"..	+2,959
Deduct effect of general repricing..............................	-502
Deduct mandated funding reduction..............................	-3,107
Current 1986 estimate..	53,469

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $2,003 thousand;

-- the addition by the Congress of seventy-two staff-years in support of and concurrent approval by the Congress of higher program levels than requested in the budget requires an increase of $2,959 thousand;

-- an assessment of funding needs based on more recent cost and requirement data results in a reduction of $502 thousand. The decrease is principally due to a reduction to automated data processing services; and

-- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $3,107 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations..	$58,642	$53,469
Changes to terminal leave and severance pay costs..........	+266	+547
Changes to average employment..............................	-5,404	-9,378
Changes to average personal services costs..................	+890	+772
Changes to automated data processing costs..................	-866	+620
Changes to all other costs..	-59	+207
Total obligations..	53,469	46,237

There are net decreases of $4,248 thousand to personal services costs in 1986 and $8,059 thousand in 1987. These changes are due to the following:

-- changes to terminal leave and severance pay result in increases of $266 thousand in 1986 and $547 thousand in 1987;

-- reductions in employment result in decreases of $5,404 thousand in 1986 and $9,378 thousand in 1987; and

-- changes in average salary and benefit costs result in increases of $890 thousand in 1986 and $772 thousand in 1987.

There is a net decrease of $925 thousand to non-personal services costs in 1986 and a net increase of $827 thousand in 1987. The changes reflect the following:

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

-- Costs of automated data processing services are estimated to decrease $866 thousand in 1986 and increase $620 thousand in 1987. The decrease in 1986 reflects the proposed reductions and elimination of some programs. The increase in 1987 reflects planned modifications and enhancements to existing systems.

-- Changes for all other items such as travel, communications, printing and supplies result in a net decrease of $59 thousand in 1986 and a net increase of $207 thousand in 1987.

4. CONTRACTS

The table below identifies selected contract requirements unique to the activity. The table is followed by a description of each of the items requested for 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	-	(Dollars in Thousands)			
Management Studies					
Short-Term Management Studies......	$28	...	$25	...	-$25
Subtotal........................	28	...	$25	...	-25
Data and Statistical Support					
Bureau of the Census..............	200	$200	200	$200	...
Bureau of Labor Statistics.........	7	...	...	125	+125
Subtotal........................	207	200	200	325	+125
Public Information Services					
National Recognition Program for CPD Partnerships.................	20	...	...	20	+20
Subtotal........................	20	...	...	20	+20
Technical Services					
Block Grant Analyses and Support...	138	75	75	75	...
Action Grant Analyses and Support..	60	...	...	...	...
Subtotal........................	198	75	75	75	...
Total........................	453	275	300	420	+120

Bureau of the Census.. $200 Thousand

These funds are for specialized census data which cross-tabulates information by housing conditions, income, tenure, and size of household for racial and ethnic groups. This data is essential for establishing entitlements for Community Development Block Grant (CDBG) funds.

Bureau of Labor Statistics.. $125 Thousand

These funds are to collect unemployment eligibility data for cities with a population of under 20,000. This data is used in the formula for Entitlement recipients.

Public/Private Partnerships.. $20 Thousand

This category would provide $20,000 for support work in the design and execution of HUD's National Recognition Program for Community Development Partnerships, which gives awards to exemplary local programs and projects, funded in part with a Community Development Block Grant, that demonstrate how local public and private sectors, working together as partners, are critical to the success of the local projects. This proposed contract funding would be used for logistical support for this annual event.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

Block Grant Analyses and Support.. $75 Thousand

These funds are for the continued development of management and analytical means and capacities for evaluating, utilizing, and reporting on the large quantities of data on the Block Grant program operating in more than 6,000 communities. Block Grant Analyses and Support funds will enable CPD to analyze, code, edit, and computer process information from CDBG Statements of Projected Use, Grantee Performance Reports, and related program documents needed to update and maintain the ongoing CDBG Performance Monitoring and Evaluation Data Bases. In addition, these data bases are used to prepare the statutorily mandated annual report to Congress. Proposed legislation would change this to a triennial report beginning after the 1986 report. They provide the Department with a major source of management information on the CDBG program, and they are used to respond to information requests from the Secretary, OMB, GAO, and the Congress regarding the CDBG program.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The staff funded under this activity administer the Community Development Block Grant (CDBG) program, including the Entitlement program, the Small Cities program, and the Secretary's Discretionary Fund, and the Urban Homesteading program. Community Planning and Development (CPD) has a Department-wide responsibility in the areas of energy, relocation standards, and environmental functions. CPD also has monitoring and completion responsibility for the small hold-harmless grants made through 1979, and for the former categorical programs which have been replaced by the Community Development Block Grant program. The UDAG, Section 312 Rehabilitation Loan, Rental Rehabilitation programs, and Section 108 Loan Guarantees, proposed for termination in 1987 also require staff resources for loan servicing and management pending completion of workload already in the pipeline. Finally, CPD has management responsibility for the Revolving Fund (Liquidating Programs).

2. WORKLOAD

The largest share of the workload under Community Planning and Development program activity is directly related to the Community Development Block Grant program including the Secretary's Discretionary Fund, and the Urban Development Action Grant program. Additionally, there remains uncompleted activity under the categorical grant and loan programs which have been replaced by the Community Development Block Grant program. Uncompleted activity also remains under the Section 312 Rehabilitation Loan and Rental Rehabilitation Grant programs proposed for termination in 1987. CPD has a large monitoring workload in the areas of relocation and environmental concerns, and managing the Urban Homesteading program. It also has responsibility for managing the Revolving Fund (Liquidating Programs).

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE - DECREASE + 1987 vs 1986
Headquarters..........................	262	183	230	205	-25
Field.................................	901	700	675	594	-81
Total.................................	1,163	883	905	799	-106

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE - DECREASE + 1987 vs 1986
Headquarters..........................	290.7	253.4	268.5	240.7	-27.8
Field.................................	944.8	861.5	835.7	641.3	-194.4
Total.................................	1,235.5	1,114.9	1,104.2	882.0	-222.2

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

The increase of 22 positions between the 1986 budget and current estimates reflects partial funding in 1986 for UDAG, Section 312 Rehabilitation Loans, Rental Rehabilitation Grants and Section 108 Loan guarantees. The original 1986 budget did not propose funding for these programs in 1986.

The decrease of 106 positions between the 1986 current estimate and the 1987 budget reflects the proposed termination of the programs identified above.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel...........	1,187.5	1,070.6	844.6
Temporary and Part-Time Employees.......	39.7	20.5	20.5
Overtime................................	1.5	.9	.9
Terminal Leave..........................	6.8	12.2	16.0
Total Staff-Years.....................	1,235.5	1,104.2	882.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment, and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within CPD.

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of Assistant Secretary............	26	23	25	25	...
Office of Block Grant Assistance.........	30	29	29	29	...
Office of Management.....................	35	31	34	34	...
Office of Field Operations and Monitoring	26	26	25	25	...
Office of Program Analysis and Evaluation	21	16	20	20	...
Office of Environment and Energy.........	28	21	27	27	...
Office of Urban Development Action Grants	51	5	30	10	-20
Office of Urban Rehabilitation...........	24	15	20	15	- 5
Office of Program Policy Development.....	21	17	20	20	...
Total Full-Time Permanent Appointments, End of Year............	262	183	230	205	-25

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of Assistant Secretary............	28.9	25.4	26.7	26.7	...
Office of Block Grant Assistance.........	33.3	32.1	30.7	30.7	...
Office of Management.....................	38.8	34.3	35.9	35.9	...
Office of Field Operations and Monitoring	28.8	28.8	26.6	26.6	...
Office of Program Analysis and Evaluation	23.3	17.7	21.5	21.5	...
Office of Environment and Energy.........	31.1	23.2	28.7	28.7	...
Office of Urban Development Action Grants	56.6	50.1	52.3	29.4	-22.9
Office of Urban Rehabilitation...........	26.6	23.0	24.6	19.7	-4.9
Office of Program Policy Development.....	23.3	18.8	21.5	21.5	...
Total Staff-Years......................	290.7	253.4	268.5	240.7	-27.8

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

The declining staffing levels reflect the reduced funding for programs in 1986 and the proposed termination of UDAG, Rental Rehabilitation Grants, Rehabilitation Loans, and CDBG Loan Guarantees in 1987.

The Headquarters staff is responsible for providing overall supervision and direction in the administration of Community Planning and Development programs and activities and for assuring uniform administration and efficient management of Federal assistance activities. This includes: (1) the development, promulgation, execution, and control of policies, standards, and advisory materials; (2) the evaluation of CPD programs to determine their effectiveness in meeting National goals and objectives and local needs; (3) the coordination of program resources through the distribution of program funds and staffing resources among Field Offices; (4) final review and recommendations for approval/disapproval of Urban Development Action Grant applications and amendments and Section 108 Loan guarantees (through 1986 only); (5) sanctions against grantees including reductions, disapprovals, and contract conditions; and (6) management of the Revolving Fund (Liquidating Programs) which now includes the residual activity associated with the New Communities program.

2. FIELD OFFICE EMPLOYMENT

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
CDBG:					
Entitlement	353.2	297.7	357.0	283.9	-73.1
Small Cities-HUD Administered	91.2	38.1	49.0	12.6	-36.4
State Program	41.4	64.2	48.3	41.0	-7.3
Indians	35.0	35.3	34.4	27.2	-7.2
Other Secretary's Fund	7.9	...	5.8	4.6	-1.2
Subtotal CDBG	528.7	435.3	494.5	369.3	-125.2
UDAG	182.0	224.1	135.0	108.6	-26.4
Rental Rehabilitation Grants	52.1	56.3	39.6	20.4	-19.2
Rehabilitation Loans	56.5	25.0	36.5	19.5	-17.0
Urban Homesteading	13.2	13.9	13.2	13.2	...
Relocation/Acquisition	27.5	27.8	36.9	34.4	-2.5
Environment	67.4	67.1	62.7	60.0	-2.7
Liquidating Programs	17.4	12.0	17.3	15.9	-1.4
Total Staff-Years	944.8	861.5	835.7	641.3	-194.4
Total Full-time Permanent Appointments, End of Year	901	700	675	594	-81

The Department has developed and implemented a productivity-based system for developing field staff requirements, the Resource Allocation Guidelines System (RAGS). The following table indicates units of production which have been identified for use in this activity to establish staffing levels and for which productivity criteria will be established on the basis of past performance. The staffing levels displayed reflect the current best estimates of requirements for the items indicated based upon a combination of previous work-measurement and productivity measures modified by consideration of recent procedural program and organizational changes. The table is followed by a more detailed discussion of the individual items.

COMMUNITY PLANNING AND DEVELOPMENT

DETAIL OF FIELD STAFFING

RESOURCE ALLOCATION GUIDELINES	INDICATOR (Work Unit)	FY 1985 ACTUAL ACCOMPLISHMENT	FY 1985 ACTUAL UNIT COST	FY 1985 STAFF YEARS	FY 1986 PROJECTED ACCOMPLISHMENT	FY 1986 PROJECTED UNIT COST	FY 1986 STAFF YEARS	FY 1987 PROJECTED ACCOMPLISHMENT	FY 1987 PROJECTED UNIT COST	FY 1987 STAFF YEARS
CDBG:										
ENTITLEMENT PROGRAM:										
Metro Cities........	Grantees	707	862.0	291.9	711	862.0	293.5	711	690.0	235.0
Urban Counties......	Grantees	107	1100.0	56.4	116	1100.0	61.1	116	880.0	48.9
Former Entitlements.	Grantees	34	300.0	4.9	17	300.0	2.4	0		0.0
Sub. Entitle..........				353.2			357.0			283.9
SMALL CITIES PROGRAM:										
Apps Processed......	Apps	250	40.0	4.8	250	40.0	4.8	0		0.0
Small cities-HUD Administered.....	Grants	2,050	88.0	86.4	1,048	88.0	44.2	298	88.0	12.6
State Program.......	States	48	1,800.0	41.4	48	2100.0	48.3	51	1680.0	41.0
SECRETARY'S FUND:										
Indian Program......	Grantees	275	266.0	35.0	270	266.0	34.4	270	210.0	27.2
Other Sec. Fund.....	Grants	75	220.0	7.9	55	220.0	5.8	55	175.0	4.6
Subtotal CDBG..........				528.7			494.5			369.3
UDAG:										
Apps Reviewed.......	Apps	817	168.0	65.7	300	168.0	24.1	...	...	0.0
Active Grants.......	Grants	1,973	75.0	70.9	1,988	75.0	71.4	1,758	75.0	63.1
Grants Monitored....	Grants	1,202	64.0	36.8	975	64.0	29.9	1,170	64.0	35.9
Grants Closed Out...	Grants	358	50.0	8.6	400	50.0	9.6	400	50.0	9.6
Subtotal UDAG..........				182.0			135.0			108.6
Rental Rehabilitation..	Grantees	473	230.0	52.1	473	175.0	39.6	473	90.0	20.4
Rehabilitation Loans...	Local.	407	290.0	56.5	407	187.0	36.5	407	100.0	19.5
Urban Homesteading.....	Local.	115	240.0	13.2	115	240.0	13.2	115	240.0	13.2
Relocation/Acquisition.	Programs	2,390	24.0	27.5	2,200	35.0	36.9	2,050	35.0	34.4
Environment:										
CPD Programs.........	Programs	3,110	16.0	23.8	3,133	16.0	24.0	2,906	16.0	22.3
UDAG Apps............	Reviews	817	13.0	5.1	300	13.0	1.9	...	...	0.0
Housing Analyses.....	Analyses	1,663	15.0	11.9	1,830	15.0	13.1	1,855	15.0	13.3
Housing Assistance...	Reviews	16,823	3.3	26.6	16,470	3.0	23.7	16,965	3.0	24.4
Subtotal Environ..........				67.4			62.7			60.0
Liquidating Programs...	Programs	2,300	15.8	17.4	2,242	16.0	17.3	2,075	16.0	15.9
Total Staff Years..........				944.8			835.7			641.3
Total FTP's..........				901			675			594

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

a. Community Development Block Grants

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE - DECREASE + 1987 vs 1986
Entitlement	353.2	357.0	283.9	-73.1
Small Cities-HUD Administered	91.2	49.0	12.6	-36.4
State Program	41.4	48.3	41.0	-7.3
Indians	35.0	34.4	27.2	-7.2
Other Secretary's Fund	7.9	5.8	4.6	-1.2
Total Staff-Years	528.7	494.5	369.3	-125.2

Staffing requirements for field administration of the CDBG program are decreasing from 1985 to 1987 because of the continuing closeout of the prior year HUD-administered grants plus the proposal to contract out some or all of the monitoring function for the CDBG program in 1987. The following table reflects the magnitude of workload related to the funding levels for the three years covered in this Justification.

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987
Entitlement grantees	848	844	827
States administering small cities (number of States)	48	48	51
HUD-administered small cities (number of active grants)	2,050	1,048	298
Indian program (active grantees)	275	270	270
Other Secretary's Fund (active grants)	75	55	55

Field staff responsibilities for the CD Grant program in 1987 are based on the following areas of workload:

-- dissemination of program information to current and prospective recipients, including States and Federal agencies;

-- receipt and review of entitlement statements and Grantee Performance Reports;

-- receipt and review of State submissions and annual performance reports;

-- providing technical assistance to and undertaking oversight of States assuming responsibility for managing the Small Cities program;

-- review some applications for assistance under the Secretary's Discretionary Fund;

-- review and approval of applications for Indian CDBG funds in six field offices;

-- the Administration is exploring the possibility of contracting some or all of the monitoring function for the Block Grant program in 1987, and the Department is currently conducting an A-76 study to determine the feasibility of implementing such an approach. This Budget contains no staffing for the monitoring function in 1987 pending the results of the review of the Block Grant function;

-- compiling basic data for reporting on the use of funds to the President, the Congress, and the public;

-- resolving audit findings. All grantees are required to have an audit conducted of expenditures not less often than every two years. Findings made by auditors must be analyzed by HUD staff to determine whether the grantee actually violated program rules. This represents a significant workload, because of the complexity of the program and the degree of discretion grantees have over how CDBG funds are spent. Whenever HUD confirms that grantee performance has been deficient, considerable time and effort is required to determine and implement an appropriate sanction. The Audit Management System establishes a period of time for all issues to be resolved and it is the responsibility of CPD field staff to meet this schedule; and

-- provision of training, information, and technical assistance to local programs.

Grantees are required to submit performance reports to HUD concerning the uses of their CDBG funds. HUD is required to review grantees' performance, at least annually, in order to determine whether they have met program requirements and all applicable laws.

The Department's monitoring responsibility with regard to the CD Grant program is stated in Section 104(d) of Title I of the Housing and Community Development Act of 1974, as amended. Section 104(d) provides that "The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine:

(1) in the case of grants made under Section 106(b) or Section 106(d)(2)(B) [the entitlement program and the HUD-administered nonentitlement program], whether the grantee has carried out its activities in a timely manner, whether the grantee has carried out those activities and its certifications in accordance with the requirements and the primary objectives of this title and with other applicable laws, and whether the grantee has a continuing capacity to carry out those activities in a timely manner; and

(2) in the case of grants to States made under Section 106(d) [the State administered nonentitlement program], whether the State has distributed funds to units of general local government in a timely manner and in conformance to the method of distribution described in its statement, whether the State has carried out its certifications in compliance with the requirements of this title and other applicable laws, and whether the State has made such reviews and audits of the units of general local government as may be necessary or appropriate to determine whether they have satisfied the applicable performance criteria."

In addition, CPD staff is involved in general project management and servicing, which includes financial management, routine and Congressional correspondence, litigation activities, meetings held at localities' request, GAO audit activities, telephone communication, technical assistance, and responses to complaints.

b. Urban Development Action Grants (UDAG)

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years....................................	182.0	135.0	108.6	-26.4
Number of applications reviewed................	817	300	...	-300
Number of grants active, start of year.........	1,973	1,988	1,758	-230

Staff levels are decreasing from 1985 to 1987 as a result of the proposed termination of the program in 1987. Field staff responsibilities for the UDAG program in 1987 are based on the following areas of workload:

-- processing release and disbursement of funds;

-- monitoring and management of program activities being carried out by grantees;

-- closeout of projects once activities are completed;

- -- provision of technical assistance to local public and private sector parties on all aspects of implementing and completing their action grant projects; and
- -- resolution of audit findings.

c. Rental Rehabilitation Grants

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years....................................	52.1	39.6	20.4	-19.2
Number of new grants approved in year.........	473	...	...	...

Staffing requirements are decreasing from 1985 to 1987 because of the proposed termination of the program in 1987.

Field Offices will have the following responsibilities for the Rental Rehabilitation Grants program in 1987:

- -- coordinate Rental Rehabilitation activities with Housing staff to assure Housing vouchers are used effectively;
- -- review program for compliance with other Federal laws and regulations and Rental Rehabilitation Grant policies and procedures, including statutory historic preservation requirements;
- -- provide technical assistance to States/localities in project financing, lender participation, investor participation and subsidy mechanisms;
- -- resolve audit findings; and
- -- closeout of projects.

d. Rehabilitation Loans

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Staff-Years....................................	56.5	36.5	19.5	-17.0
Program Level..................................	$75,000	$11,000	...	-$11,000

The reduction in staff-years shown from 1985 to 1987 reflects the proposed termination of the program in 1987.

e. Urban Homesteading

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years....................................	13.2	13.2	13.2	...
Cities with programs..........................	115	115	115	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Community Planning and Development

Workload and staffing are expected to remain relatively constant from 1985 to 1987. Activities carried out by Field staff include the following:

-- assisting cities in the preparation of their homesteading applications for HUD-owned, Veterans Administration (VA) and Farmers Home Administration (FmHA) properties;

-- reviewing applications to ensure that the proposed programs meet all statutory requirements and approving or disapproving the applications;

-- working with HUD housing staff to determine which HUD properties can be made available for homesteading, and providing similar assistance regarding VA and FmHA properties;

-- monitoring how communities are handling HUD properties that have been transferred;

-- managing the local property and multifamily demonstrations; and

-- managing Section 810 funds which are used to reimburse the HUD/FHA Insurance funds, the Veterans Administration, and the Farmers Home Administration.

f. Relocation/Acquistion

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years....................................	27.5	36.9	34.4	-2.5
Relocation/Acquistion Projects...............	2,390	2,200	2,050	-150

Workload and staffing are expected to decrease from 1986 to 1987. Staffing increases from 1985 to 1986 as this category includes acquisition staffing beginning in 1986. In 1985 and in prior years, the staffing for acquisition was included in the various program categories.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 applies to the displacement of persons occurring as a result of the acquisition of real property by a public agency under any HUD program. The Uniform Act sets forth mandatory payments and services to be provided to displaced persons and procedures for land acquisition. The Housing and Urban-Rural Recovery Act of 1983 required the provision of relocation assistance to certain occupants displaced by non-Uniform Act CDBG activities. In addition, CPD monitors relocation protections extended by certain program regulations to other tenant-occupants not covered by these statutes.

To determine whether persons received the assistance required by law and program regulations, HUD field staff conduct compliance monitoring site visits to review a sample of the relocation and acquisition records, interview displaced persons and persons whose property has been acquired, and inspect replacement housing units to which persons have moved. The timing of visits and the size of the sample reflect Field judgment of past locality performance. Other Field staff activities include: The provision of technical assistance and training to local agency staff; the review of grievances filed by displaced persons and the review of certain applications and reports. Under the 48 State-Administered Small Cities CDBG Programs, the State now performs a similar role with respect to its subgrantees. HUD provides assistance to States and monitors State performance.

g. Environmental Activities

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years	67.4	62.7	60.0	-2.7
CPD Programs	3,110	3,133	2,906	-227
Housing Analyses	1,663	1,830	1,855	+25
Housing Assistance	16,823	16,470	16,965	+495

The decrease in staffing from 1985 to 1987 reflects the proposed termination of several CPD programs, primarily UDAG. New regulations in the areas of explosive hazards and airport crash zones will require greater activity, but staff time can be saved through the reduced program activity.

Community Planning and Development has a Department-wide responsibility for environmental and energy concerns. This environmental responsibility includes implementation of the National Environmental Policy Act of 1969 as it relates to HUD programs, and implementation of related statutes, executive orders, and regulations. The energy responsibility includes activities related to energy production, distribution, and conservation supporting both housing and community development objectives. The environmental staff provide assistance, advice, orientation, and guidance to HUD applicants, potential applicants, and clients--including CDBG communities and housing developers--on procedural and technical aspects of environmental assessments and compliance findings associated with related environmental laws. CPD environmental staff also have the responsibility to review other agencies' Environmental Impact Statements in HUD's areas of expertise. The CPD environmental field staff also provide technical environmental assistance and training to other HUD staff.

h. Other CPD Programs

	ACTUAL 1985	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Staff-Years	17.4	17.3	15.9	-1.4
Number of Programs	2,300	2,242	2,075	-167

This category primarily contains programs and projects in the Revolving Fund(Liquidating Programs). Also included are the remaining Urban Renewal Programs and Planning Assistance Grants. The major workload for field staff is described below:

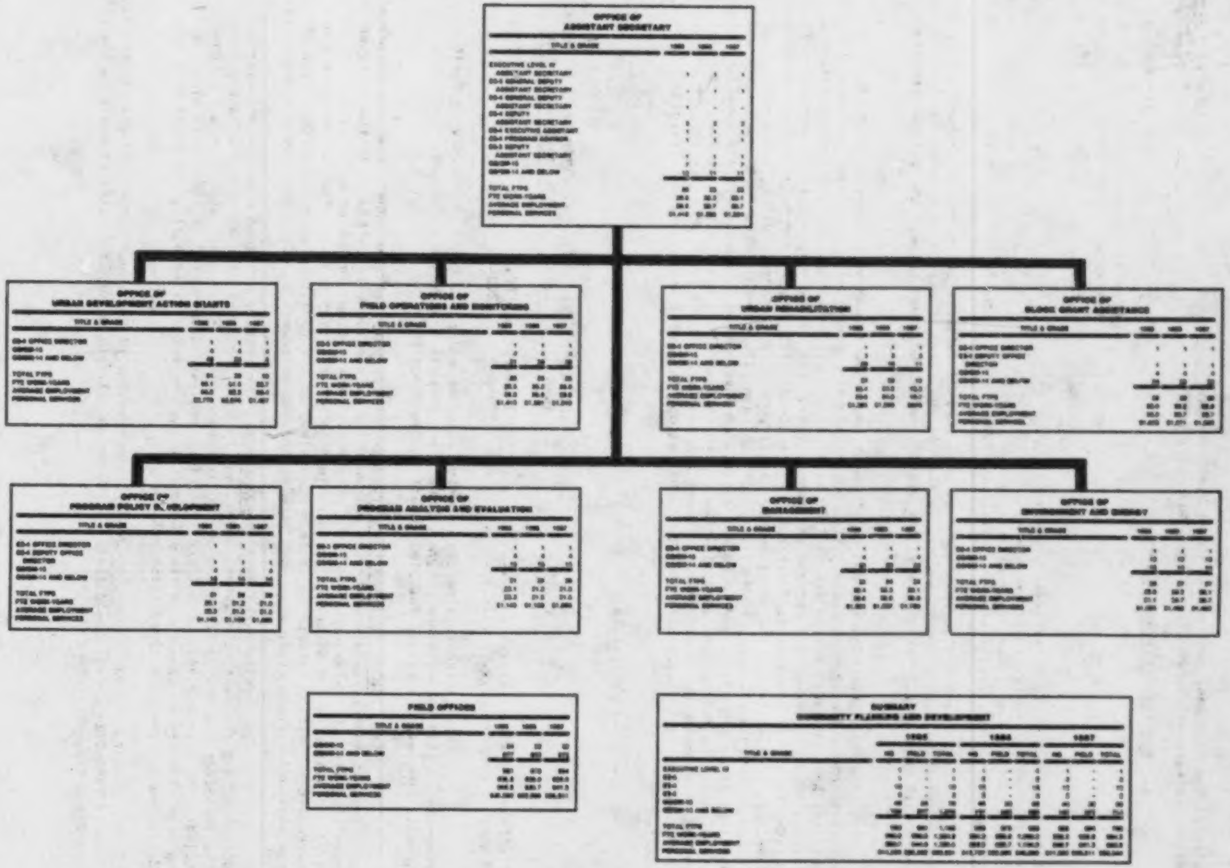
(1) Public Facility Loan Program. The primary workload consists of the review of the annual audit reports submitted by the borrower for each project to determine if the borrower is complying with the terms and conditions of the bond resolution, is making debt service payments when due, and operating and maintaining the project in an efficient manner. Special requests from borrowers requesting waivers to certain provisions of the bond resolution also comprise a portion of the workload. Field staff also work with delinquent borrowers to bring delinquent accounts current.

(2) Public Works Planning Programs. The primary workload consists of preparation, dispatch, and review of the annual query sent to each recipient with an unpaid planning advance. If the recipient reports construction of the planned project, Field staff will initiate procedures to collect the planning advance. If the recipient requests termination of the unpaid planning advance because there is no reasonable likelihood that the project will be built, the staff will make a determination and take appropriate action.

(3) Urban Renewal Programs. The transfer of the Urban Renewal Program to the Revolving Fund in 1986 will entail Field staff follow-up on collections of land sales proceeds in the closed-out Urban Renewal projects.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING AND DEVELOPMENT
DETAIL OF FULL-TIME PERMANENT (FPT) EMPLOYMENT

(PERSONAL SERVICES IN THOUSANDS)


OFFICE OF ASSISTANT SECRETARY
TITLE & GRADE
OFFICE OF URBAN DEVELOPMENT ACTION GRANTS
OFFICE OF FIELD OPERATIONS AND MONITORING
OFFICE OF URBAN REHABILITATION
OFFICE OF BLOCK GRANT ASSISTANCE
OFFICE OF PROGRAM POLICY DEVELOPMENT
OFFICE OF PROGRAM ANALYSIS AND EVALUATION
OFFICE OF MANAGEMENT
OFFICE OF ENVIRONMENT AND ENERGY
FIELD OFFICES
SUMMARY COMMUNITY PLANNING AND DEVELOPMENT
TOTAL FTPS
FTE WORK-YEARS
AVERAGE EMPLOYMENT
PERSONAL SERVICES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Program Level:					
Obligations............	$18,332	$18,900	$15,779	$19,465	+$3,686
Appropriations:					
Enacted or Proposed.....	16,900	18,900	16,900	18,900	+2,000
Sequestration...........	NA	NA	-727	...	+727
Total.................	16,900	18,900	16,173	18,900	+2,727
Budget Outlays............	18,399	18,300	16,877	17,114	+237

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Department proposes a 1987 appropriation of $18.9 million for the development and implementation of research, demonstrations, and policy analysis.

This appropriation is needed to begin the task of rebuilding the Department's research and data bases. For the past several years, the research program has been faced with continued reductions in funding levels and an increasing number of mandated projects. As a result, many of the research and analyses needs of the Department have been continuously postponed creating the potential for operating program waste or inefficiencies. The effect of these reductions is now being severely felt as HUD is faced with the need for current critical information to make program and policy decisions. One major use of the funds will be to start transforming inadequate program data bases into effective instruments for both program monitoring and policy analysis, by putting them into a form that includes data quality controls and permits integration of related data bases. Another use will be to begin an assessment of the financial and physical condition of HUD's insured multifamily inventory to provide guidance for policy decisions on the future of this type of housing. Research to improve the management of public housing also is planned to be continued. In addition, research in fair housing will focus on measuring discrimination and evaluating the effectiveness of fair housing enforcement tools, including the Fair Housing Initiatives Program, processing of systemic complaints, and counseling and enforcement in relation to the housing voucher program.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Actual obligations for 1985 totaled $18.3 million, a decrease of $0.1 million from the estimated $18.4 million.

Actual outlays for 1985 were $18.4 million or $0.5 million below the projected $18.9 million.

3. CHANGES FROM 1986 BUDGET ESTIMATES

Several factors result in reductions to the 1986 estimates. Congress decreased HUD's 1986 appropriation request from $18.9 million to $16.9 million. The Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) requires sequestration of $727 thousand of the appropriation. The effect of sequestration on 1986 outlays is a reduction of $218 thousand. In addition, obligations are reduced further by $565 thousand budgeted for consulting and management services. This reduction is pursuant to Section 515 of the Treasury, Postal Service and General Government Appropriation Act, 1986 (P.L. 99-190), which requires these funds to be withheld from use in 1986.

A table displaying the current distribution of funds among the various research categories appears on page K-4. As shown in the table, the level of funds in Category A, Housing Programs, is maintained at close to the 1986 Budget request. This is because of the high priority given to research in the public housing area and to the housing voucher demonstration evaluations. And, while Category C, Housing Markets, is reduced, it also continues to include high priority research activities, namely, continuation of the American Housing Survey (AHS) and work on the impact of changes in secondary markets on the affordability of housing. More substantial percentage reductions have been made in Categories D, E and F. Research projects in Community and Urban Development (Category E) are of less pressing urgency and, therefore, have been assigned lower priority.

In Fair Housing (Category D) and Local Government Management (Category F), amounts originally budgeted were smaller than in other categories and contained only a few projects in each category. As a result, reductions in these categories cannot be made on a proportional basis and generally must be on a project-by-project basis. The elimination of projects, rather than scaling down overall work, results in larger dollar reductions in these categories. For example, an update of the Housing Market Practices Study is being delayed (Category D) and only the Urban Policy Report will be funded (Category F).

EXPLANATION OF INCREASES AND DECREASES

Increases in the 1987 estimates directly result from the requested increase in appropriation. Obligations also reflect use of the $565 thousand withheld during 1986. Outlays only increase slightly because the effect of the 1986 sequestration on 1987 outlays is $291 thousand.

PROGRAM DESCRIPTION AND ACTIVITIES

1. Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy reforms. To assure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to departments and agencies of Federal, State and local governments, to industry, and to the general public.

2. Policy Development and Research Organization. The Assistant Secretary for Policy Development and Research (PD&R) is responsible for the development, planning, and execution of HUD research and demonstration programs, for assisting in the formulation of Department policy, and for disseminating HUD research results. In addition, the PD&R organization has principal responsibility for providing evaluation, economic and policy analysis, and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives.

3. Goals of the Research Program. The research program will continue to emphasize the improvement of the operation of the Department's programs and the development of new programs to meet HUD's goals. There are a number of major issues which have emerged as areas of critical concern to the Department, but for which a sufficient information base has not been developed. The continued financial and physical viability of the public housing and insured housing stock, the long-term stability of financial institutions which provide funds for housing, and the importance of redoubled efforts to prevent discrimination and promote fair housing have highlighted the need to focus PD&R's attention on these areas.

For 1987 the research program will focus on the following activities:

-- maintaining the stability of the housing finance system through continued improvements to secondary market institutions and regulatory systems;

-- enhancing homeownership opportunities through the design of sound mortgage instruments in existing FHA programs;

-- developing cost-effective policies for management, operation, and maintenance of the insured and assisted multifamily housing inventory;

-- improving the quality of life of public housing tenants and promoting cost-effective management of public housing;

-- designing appropriate programs to ensure a supply of affordable rental housing in a post tax-reform economy, including improvements to the voucher program;

-- increasing the affordability of housing through technological and regulatory improvements, with a new focus on rehabilitated as well as newly constructed housing;

-- increasing compliance and enforcement of fair housing laws and developing new strategies to promote fair and nondiscriminatory housing; and

-- developing an appropriate Federal role in support of community and economic development as the balance of fiscal capacity shifts.

4. Program Synopsis. The following narrative program summary corresponds to the structure of the funding summary table on page K-4 and of the full program descriptions of research to be carried out in 1986 and 1987, which begin on page K-5.

Housing Programs. Research proposed in the public housing area includes a series of efforts designed to improve the management capacity of public housing agencies. In 1987, work will continue on the development and implementation of project-based accounting systems for public housing agencies. Research efforts will also include an assessment of the impact of new tenant management regulations on tenant management in public housing, work on improving the formulas that are used to estimate repair and replacement needs, and projects designed to improve PHA management practices. In assisted housing, major work will continue in 1987 on the evaluation of the voucher demonstration. Efforts will also be undertaken to improve housing data quality and data systems to increase their effectiveness as program management tools and their use in the analysis and evaluation of housing programs. Housing needs of special users, such as the elderly and persons with disabilities, will also be addressed; and work will continue on an evaluation of the public housing homeownership demonstration.

A major project will focus on HUD's insured multifamily housing inventory, both assisted and unassisted projects. Preliminary work now underway will provide an assessment of the condition of this inventory, particularly the segment of it susceptible to financial failure. The planned follow-on work in 1987 will examine the inventory in more detail, considering issues that affect the future viability of a project and the impact on project residents should the project experience financial difficulty.

Safety and Standards. Research emphasis in this area will continue to be placed on public and local government acceptance of proven technologies and regulatory reforms that can reduce the cost of housing without sacrificing quality and safety.

Housing Markets. Research in this category provides essential information about the quality and supply of the Nation's housing stock. The American Housing Survey (AHS) is used to monitor continuing areas of policy concern, such as first-time home buyers, public and private displacement, and the condition and price of the rental housing inventory. It also helps establish cost limits on the operation of HUD's assisted housing programs. Other research will include ongoing analyses of the impact of tax policy changes on housing, development of models to examine the impact of policy changes on housing markets, and the examination of ways to develop and continue the availability of stable sources of mortgage credit. Work in 1987 also will include analyses of the effects of secondary mortgage market activities on housing finance.

Fair Housing. Research in this area will include initiating an evaluation of the Fair Housing Initiatives Program, and conducting the preliminary work required to begin updating the Housing Market Practices Study, a research effort designed to identify changes in the level and nature of discrimination in various housing market areas. Work will be initiated to develop a new data system to provide information on Title VI complaint and compliance reviews. Research will also evaluate ways to assist HUD and substantially equivalent agencies in improving their handling of systemic discrimination complaints.

Community and Urban Development. Research in this category will continue assessments of community and economic development programs and completion of program evaluation begun in prior years.

Local Government Management. Work on assessing urban economic development and the fiscal capacity of cites and States will continue through the development and use of an urban data base, which will bring together the best information from government and private sources on the local economic and fiscal condition of cities. The Urban Data Base will be used for evaluation and policy analysis and for future urban policy reports. Work will also include ongoing analyses of the impact of policy changes on local governments and an examination of innovative instruments for infrastructure financing.

RESEARCH AND TECHNOLOGY BUDGET SUMMARY
(Dollars in Thousands)

	Actual 1985	Budget Estimate 1986	Current Estimate 1986	Estimate 1987	Increase + Decrease - 1987 vs 1986	Page No.
A. HOUSING PROGRAMS	$2,351	$2,325	$2,307	$3,900	+$1,593	K-5
1. Assisted Housing Research	2,351	2,325	2,207	3,900	+1,693	K-5
2. Housing Needs of Special Users	...	...	100	...	-100	K-6
B. SAFETY AND STANDARDS	693	650	595	400	-195	K-6
1. Residential Safety & Technology	618	550	575	400	-175	K-6
2. Codes Administration	75	100	20	...	-20	K-6
C. HOUSING MARKETS	13,020	12,400	10,748	13,165	+2,417	K-7
1. Surveys of Housing	12,292	11,400	10,008	12,165	+2,157	K-7
2. Housing and Financial Markets	728	1,000	740	1,000	+260	K-8
D. FAIR HOUSING	50	500	200	400	+200	K-8
1. Fair Housing & Equal Opportunity	50	500	200	400	+200	K-8
E. COMMUNITY & URBAN DEVELOPMENT	486	900	210	100	-110	K-8
1. Neighborhood Preservation & Rehab.	...	550	...	...	...	K-9
2. Evaluation of Comm. Development Programs	486	350	210	100	-110	K-9
F. LOCAL GOVERNMENT MANAGEMENT	202	350	80	300	+220	K-9
1. Economic Development & Public Finance	167	315	80	300	+220	K-9
2. Community Growth & Land Use	35	35	...	...	...	K-9
G. RESEARCH SUPPORT	1,530	1,775	1,639	1,200	-439	K-10
1. Program Planning & Management	850	1,075	959	520	-439	K-10
2. Transferring Research Results	680	700	680	680	...	K-10
Totals	18,332	18,900	15,779	19,465	+3,686	

Research and Technology

Research Support. Activities that provide administrative support to PD&R are covered under this category, including: use of computer facilities by PD&R analysts; resources to support short-term projects conducted by PD&R staff; the operation of a research management information system which provides detailed information on PD&R-funded projects; the publication, dissemination, and transfer of research results; and the conduct of high-priority statistical analyses and research. Work also will include improvement of data systems necessary to support PD&R's research and evaluation activities.

A. HOUSING PROGRAMS

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
$2,351	$2,325	$2,307	$3,900

Research work in this area continues to produce and evaluate strategies for increasing the efficiency and effectiveness of Federal housing programs through reform of existing programs and through development of alternative programs.

A.1 Assisted Housing Research

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
$2,351	$2,325	$2,207	$3,900

Public Housing

The research agenda for the public housing program will concentrate on efforts to improve the management capacity of public housing agencies (PHAs). Specific research products will be aimed at practical applications for PHAs that need to improve their management. Work on project-based budgeting, for example, will lead to the development of more comprehensive management information systems for PHAs. Development of formulas to more accurately measure PHAs modernization needs and utility consumption levels also will be undertaken. In addition, evaluation of the public housing homeownership demonstration will be continued.

Low Income Housing

The research agenda for low-income housing will evaluate current and proposed programs to upgrade the existing housing stock, and evaluate the effectiveness of various subsidy programs which have been designed to increase the housing stock in urban areas experiencing stock shortages. Evaluation of housing needs, administrative fees, and the voucher program in both large and small or rural PHAs will continue in order to produce information about refinements or improvements in these programs to more effectively serve lower income families.

Multifamily Housing

A project of pressing urgency that will be included in this program area will focus on HUD's insured multifamily housing inventory, both assisted and unassisted projects. An increasing number of projects are reaching an age at which capital repairs and replacements are needed at the same time that the financial incentives to ownership through favorable tax treatment are diminishing. Preliminary work now underway will provide an assessment of the condition of this inventory, particularly the segment of it that might be susceptible to financial failure. The planned follow-on work will examine the inventory in more detail, considering locational and market issues that affect the future viability of the projects and the impact on the project residents should the project experience financial difficulty. It will also develop tools for measuring the cost-effectiveness of proposed and current strategies for maintaining the financial and physical viability of these projects. The work will be developed specifically to address issues related to the Department's loan management and property disposition policies and procedures.

Research and Technology

Housing Program Data

A major new focus of PD&R will be the improvement of inadequate program data bases into effective instruments for both program monitoring and policy analysis. The Office of Public and Indian Housing's Field Office Reports Management System (FORMS) and the Office of Housing's Section 8 Management Information System will be redesigned to incorporate quality control and user feedback systems that will make them reliable program management tools and provide the bases for policy analyses and program development.

A.2 Housing Needs of Special Users

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
...	...	$100	...

The special users research program focuses on improving housing and housing related policies for people who have special requirements caused by factors such as age, physical condition, or cultured background. In 1986, a project was initiated to produce a manual that will promote the development of adaptable housing for disabled persons. Input from developers, builders, manufacturers, disabled persons, and organizations for disabled persons was solicited. In 1987 work in this category will be included in A.1 above.

B. SAFETY AND STANDARDS

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
$693	$650	$595	$400

This research looks for ways to simplify building regulations and reduce housing costs, including ways to reduce the component costs of housing. The principal goal is to aid in providing sound housing at a more affordable cost.

Research on building technology, manufactured housing, rehabilitation, code administration, and simplification of building regulations are all covered under this category.

B.1 Residential Safety and Technology

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
$618	$550	$575	$400

Emphasis will continue on ways to provide sound housing at a more affordable cost, including increased public and local government acceptance of proven technologies and regulatory reforms that can bring down the cost and increase the energy efficiency of housing without sacrificing quality and safety. The Affordable Housing Demonstration will be expanded to place emphasis on the identification of technologies and regulatory reforms needed to rehabilitate housing and keep it affordable. Work will continue on building local coalitions that will promote affordable housing issues in their local communities.

B.2 Codes Administration

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
$75	$100	$20	...

Codes administration research has as its general objective the identification, analysis, and resolution of issues associated with administering and enforcing multiple codes and standards which govern the housing stock.

C. HOUSING MARKETS

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
(Dollars in Thousands)			
$13,020	$12,400	$10,748	$13,165

Housing and financial market data are essential for the formulation of housing and community development policy.

C.1 Surveys of Housing

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
(Dollars in Thousands)			
$12,292	$11,400	$10,008	$12,165

To meet the need for reliable and up-to-date information, PD&R developed and now maintains several major data series on national, regional, and local economic and housing market conditions. These series include the American Housing Survey, the Survey of Market Absorption of New Apartments, the Survey of New One-Family Houses Sold and for Sale, the Survey of Housing Completions, and the Survey of Mobile Home Placements. These data series are collected by the Bureau of the Census and issued jointly by the Bureau of the Census and HUD in monthly, quarterly, or annual housing and construction reports.

The data on the production and marketing of housing and on status of the housing inventory are used by analysts in financial institutions and the construction industry, by the natural resources and materials manufacturing industries that supply the construction industry, and by related industries such as home furnishings and utilities supplying residential energy needs.

The Department uses the data directly in setting many program levels, such as Fair Market Rents for Section 8 Existing Housing and for the housing voucher demonstration. These data are used in the preparation of the President's Annual Message on Housing Production, the President's National Urban Policy Report, and other reports to the Congress. These data also were used in the development and implementation of the Rental Rehabilitation and Development Grants program, and to supplement research and policy development activities in other Research and Technology budget categories.

The largest project is the American Housing Survey (AHS), begun in 1973 and now mandated by Section 512 of the Housing and Urban Development Act of 1970, as amended. It is a sample of the total housing stock of the United States based on 1-in-1,000 units. It contains some 130 questions on a housing unit and its use, including the quality of the structure and its heating, plumbing and other systems. It also provides information on the deterioration and upgrading of units over time, on the present and former housing of families who have moved during the year, and on the quality and supply of vacant housing. The sample data are reported nationally, regionally, in Metropolitan Statistical Areas (MSAs), and for rural and urban areas. The National AHS is now conducted in odd-numbered years with a sample of 50,000 units. In addition, within each of 44 MSA housing markets, such data are reported quadrennially, one-fourth each year. In each of those markets, the sample is 4,200 units.

Surveys of lenders are part of a public and private cooperative effort that provides reports on almost all mortgage lending activity in the United States. The resulting data are made available to government agencies and the public through HUD publications. There are surveys of mortgage activity by State and local public retirement funds, done by the Bureau of the Census. Surveys of private, noninsured pension funds and real estate investment trusts are done by the Securities and Exchange Commission. The SEC also conducts a complementary survey, in conjunction with the Mortgage Bankers Association of America, on the activity of mortgage banking companies.

These uniquely comprehensive reports on mortgage lending and commitment activity are used by government agencies responsible for general credit policy, for supervision of financial institutions, and for housing credit policies. The data also are used by mortgage analysts employed by banks and savings and loan associations as a guide to their own lending policies.

C.2 Housing and Financial Markets

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
(Dollars in Thousands)			
$728	$1,000	$740	$1,000

Research on housing and financial markets provides information on the impact of alternative approaches to improving the functioning of the mortgage credit market and the economic impact of new housing finance instruments on consumers, producers, and financial markets.

Work will continue on analyzing the effects of tax policy structural changes, in financial markets, on the housing stock and housing markets in order to ensure that public policy promotes affordable owner and rental housing. Models will be developed or refined to better understand the linkages between the housing sector and the rest of the economy. Research and analyses will also focus on ways to maintain and improve the stability and effectiveness of the housing finance system, including financial institutions and the secondary mortgage market.

The research will also examine ways to enhance homeownership opportunities through the improved efficiency of mortgage markets, the design of sound alternative mortgage instruments and other improvements in the FHA program and policies to assist low-income persons who seek homeownership, and first time homebuyers. Work will be undertaken to improve the quality of HUD's underwriting procedures to better predict mortgage defaults.

D. FAIR HOUSING

D.1 Fair Housing and Equal Opportunity

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
(Dollars in Thousands)			
$50	$500	$200	$400

Fair housing is a major goal of the Department. Enforcement and compliance activities are undertaken to ensure that all Americans can choose to live where they want. PD&R's research activities focus on evaluating current enforcement and compliance activities and developing new strategies which promote fair housing and prevent discrimination.

Proposed research focuses on both private and public sector housing discrimination and methods for its elimination. Research on systemic investigations will be conducted to assess the cost and impacts of large-scale enforcement projects. Such efforts will be facilitated by analysis of computerized fair housing complaint files and through the gathering of basic data on levels and forms of discrimination in both the rental and sales markets.

Research also will include an evaluation of the Fair Housing Initiatives Program, and conducting the preliminary work to begin updating the Housing Market Practices Study.

E. COMMUNITY AND URBAN DEVELOPMENT

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
(Dollars in Thousands)			
$486	$900	$210	$100

This research program supports the Department's Community and Urban Development activities through program evaluation.

Research and Technology

E.1 Neighborhood Preservation and Rehabilitation

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
...	$550	...	...

No new projects are planned for 1986 or 1987.

E.2 Evaluation of Community Development Programs

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$486	$350	$210	$100

Since States have assumed many community and economic development responsibilities, analysis of key issues in the State CDBG and Rental Rehabilitation programs will be used to facilitate local implementation of those programs. Several States have adopted innovative Enterprise Zone programs. HUD will document the variety of experiences under those incentives which are designed to contribute to local economic development.

In addition, evaluation will continue on several demonstration programs created by the Housing and Urban-Rural Recovery Act of 1983, including the Multifamily Urban Homesteading Demonstration and the Neighborhood Development Demonstration.

F. LOCAL GOVERNMENT MANAGEMENT

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$202	$350	$80	$300

Work on assessing urban economic development and the fiscal capacity of cities and States will continue through the development and use of an urban data base which will bring together the best information from government and private sources on the local economic and fiscal condition of cities.

F.1 Economic Development and Public Finance

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$167	$315	$80	$300

Research will focus on developing effective community and economic development alternatives and developing an appropriate Federal role as fiscal capacity shifts among governmental levels. Work on assessing urban economic development and the fiscal capacity of cities and States will continue through the development and use of an urban data base which will bring together the best information from government and private sources on the local economic and policy analysis and for future urban policy reports. Work on the impact of tax reform on State and local governments will be continued.

F.2 Community Growth and Land Use

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$35	$35	...	...

No new projects are planned for 1986 or 1987.

G. RESEARCH SUPPORT

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$1,530	$1,775	$1,639	$1,200

These activities include functions that support more than one research program, and disseminating and transferring research results.

G.1 Program Planning and Management

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$850	$1,075	$959	$520

Activities which provide administrative support to PD&R are covered under this category, including the conduct of short-term, high priority policy analyses and research. This category also provides funds for research management and analysis by PD&R staff. This category also supports PD&R staff research and analysis by funding access to the Computer Development Corporation computer of the Naval Ship Command at Carderock.

G.2 Transferring Research Results

ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in	Thousands)	
$680	$700	$680	$680

PD&R's research utilization program for 1987 reflects continued effort to produce and disseminate information that is useful. Ongoing efforts will ensure that Governors, Mayors, PHA Directors, HUD policy officials, managers of private pension funds, and others are informed of the results of PD&R policy studies and analyses.

Summaries of the results of key PD&R studies are provided to HUD policy officials. Information kits and fact sheets are used to summarize program initiatives and findings for the general public. Manuals and more detailed documents such as management guides are developed for local governments and organizations. Workshops and seminars also are conducted for practitioners and key decision makers. Another means for dissemination of research results is HUD-USER, a depository of all HUD research studies and documents. The HUD-USER system is used to process all requests from the public for such documents. A user fee is charged for each document to defray production and handling costs.

CONSULTING AND RELATED SERVICES

In 1985, an estimated $0.7 million of HUD's Research and Technology appropriation was obligated for consulting and contract services, and $1.9 million was obligated for management and professional services and special studies and analyses. The estimates for consulting services in 1986 and 1987 are $1.9 million for each year. In addition, $3.2 million is estimated in 1986 and in 1987 for management and professional services and $580 thousand is estimated for special studies and analyses in each year. However, of the $5.7 million estimated for the consulting and related services, $0.6 million will be withheld from use in 1986 as required by P.L. 99-190, leaving a balance of $5.1 million available. The $0.6 million will be made available for obligation in 1987, for a total of $6.2 million. Consulting and related services are part of, and not in addition to, the activities and funding reported under the seven research categories. The above estimates are designed to provide PD&R with sufficient flexibility to respond to specific, short-term Departmental requests for policy relevant information when those requests cannot be predicted accurately in advance as to the type of research methodology required.

Research and Technology

The increase for consulting services will be used for the following activities:

-- increasing the efficiency and effectiveness of current assisted and public housing programs;

-- identifying new building technology and regulatory strategies to help make housing more affordable;

-- promoting cost effective management of public housing; and

-- analyzing current Departmental activities to promote fair housing and preventing discrimination, and identifying new strategies to improve HUD's fair housing conciliation efforts.

The amounts estimated for 1986 and 1987 for management and professional services will be for a number of essential activities which support HUD missions or cross-cut them. These include data collection and analyses, evaluation of Departmental programs, dissemination of research results, and internal information retrieval and management.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, 1987.

BUDGET ACTIVITY 6: POLICY DEVELOPMENT AND RESEARCH

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
	(Dollars in Thousands)				
Total Budget Activity	$10,350	$10,048	$8,928	$8,834	-$94
Full-Time Permanent Appointments, End of Year	142	150	130	125	-5
Full-Time Equivalents	155.5	159.3	139.4	128.4	-11.0
Staff-Years	157.0	160.3	142.0	132.0	-10.0

BUDGET REQUEST

The 1987 request is for $8,834 thousand and 125 positions, decreases of $94 thousand and 5 positions as compared to 1986.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
	(Dollars in Thousands)				
Personnel Services	$7,609	$7,799	$7,026	$6,659	-$367
Travel and Transportation of Persons	123	79	79	82	+3
Transportation of Things	...	12	...	...	...
Rent, Communications and Utilities	159	113	126	174	+48
Printing and Reproduction	107	57	86	112	+26
Other Services	2,106	1,936	1,373	1,580	+207
ADP Services	(1,847)	(1,510)	(928)	(1,116)	(+188)
Contracts	(158)	(300)	(303)	(303)	(...)
Supplies and Materials	41	38	44	49	+5
Equipment	205	14	194	178	-16
TOTAL	$10,350	$10,048	$8,928	$8,834	-94

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $10,350 thousand are $453 thousand more than the previously provided estimate of $9,897 thousand. The increase consists of $270 thousand less in personal services costs due to lower than anticipated staff usage offset by $723 thousand more than anticipated for support costs; principally for automated data processing services.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimates as follows:

	(Dollars in Thousands)
Budget Estimate	$10,048
Add amendment to restore proposed five percent pay reduction	+356
Deduct action by the Congress on the 1986 request for "Salaries and Expenses"	-82
Deduct revised estimate for personal services costs due primarily to reduced staffing in 1986	-695
Deduct mandated funding reduction	-699
Current 1986 estimate	$8,928

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $356 thousand;

-- the reduction of two staff-years by the Congress results in a decrease of $82 thousand;

-- a deduction of $695 thousand in personal services costs based on more recent salary and benefits data; the reduction is due, primarily, to a decision to reduce PD&R staffing below those which would otherwise be set under Gramm-Rudman-Hollings in order to provide staffing to higher priority areas of the Department; and

-- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $699 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$10,350	$8,928
Changes to terminal leave and severance pay	+30	+31
Changes in personal services costs due to changes in average employment	-727	-469
Changes in average personal services costs	+115	+71
Changes in automated data processing services	-919	+188
All other changes	+79	+85
Total obligations	$8,928	$8,834

There is a net decrease of $582 thousand in personal services costs in 1986 and a net decrease of $367 thousand in 1987. The changes are due to the following:

-- changes in terminal leave and severance pay results in increases of $30 thousand in 1986 and $31 thousand in 1987;

-- changes in average employment result in decreases of $727 thousand in 1986 and $469 thousand in 1987; this is due to a decision to reduce PD&R staffing both in 1986 and 1987 to provide staffing relief in higher priority areas of the Department; and

-- changes in average salary and benefit costs result in increases of $115 thousand in 1986 and $71 thousand in 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

There is a net decrease of $840 thousand in non-personal services costs in 1986 and an increase of $273 thousand and in 1987. The changes are due to the following:

-- costs of automated data processing services are estimated to decrease $919 thousand in 1986 and increase $188 thousand in 1987--the small increase reflects modifications of existing systems; and

-- changes for all other items such as travel, equipment maintenance, and supplies are estimated to result in net increases of $79 thousand in 1986 and $85 thousand in 1987.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Personnel of the Office of Policy Development and Research (PD&R) are responsible for the management of research conducted under contracts, cooperative agreements and grants; as well as in-house research, economic analyses, program evaluation, and policy development. A continuing goal of the Office is improving in-house capabilities to perform quick-response analyses and evaluations.

While there are very few staff whose duties are exclusively in one type of activity, these are the principal classes of PD&R staff activities:

a. Research Agreements. Staff in this area manage externally-funded research contracts, cooperative agreements, and grants. Activities include assisted housing, urban and community development, externally-funded research on state and local government, fair housing and housing finance. All of these activities are supported by the appropriation for Research and Technology.

b. In-House Research, Economic Analyses, Demonstrations, Program Evaluation, and Policy Development. PD&R Personnel conduct a broad range of activities necessary for the efficient and effective operation of the Department's programs, such as:

(1) Performing background analyses, demonstrations, studies, and priority assessments, and assisting the Secretary, Under Secretary, and Assistant Secretary for PD&R in determining policy for national housing and community development goals, program priorities, and objectives for the Department.

(2) Providing economic analyses and recommendations, performing housing and financial market research, and designing and monitoring several housing and housing-related data series.

(3) Evaluating the impact of HUD programs on specific clients and on communities in general, and performing short-term analytical studies in problem areas.

c. Service Functions. About ten percent of the PD&R staff perform program control, planning, budget and contract, personnel, administrative, and other services for the policy development, economic analyses, and research staffs.

2. WORKLOAD

The workload of PD&R is associated with the research program which focus on ways to improve the efficiency, effectiveness, and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, directing research and demonstration activities, and evaluating existing programs for the Department. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work. PD&R also works with other HUD staff, State and local governments, academicians, representatives of various interest groups, and others to assure that all accessible knowledge is brought to bear on issues of concern to the Department.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full Time Permanent Appointments, End of Year..................................	142	150	130	125	-5

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Headquarters	157.0	158.5	142.0	132.0	-10.0
Field	...	1.8	...	...	...
Total	157.0	160.3	142.0	132.0	-10.0

The staff reductions are consistent with overall reductions to Departmental staff and program levels and are made to provide relief to higher priority areas of the Department.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	143.1	132.8	121.8
Temporary and Part-Time Employees	12.4	6.6	6.6
Overtime	.9	.6	.6
Terminal Leave	.6	2.0	3.0
Total Staff-Years	157.0	142.0	132.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within Policy Development and Research and are followed by a discussion of the functions and staffing requirements for each of those organizations.

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Immediate Office of the Assistant Secretary	26	22	22	21	-1
Policy Development	38	38	34	33	-1
Economic Affairs	37	37	33	32	-1
Urban and Community Studies	19	26	19	18	-1
Housing Studies	22	27	22	21	-1
Total Full-Time Permanent Appointments, End of Year	142	150	130	125	-5

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Immediate Office of the Assistant Secretary	28.8	23.2	24.1	22.3	-1.8
Policy Development	41.9	40.2	37.1	34.8	-2.3
Economic Affairs	40.8	39.1	36.0	33.7	-2.3
Urban and Community Studies	21.1	27.5	20.8	19.0	-1.8
Housing Studies	24.4	28.5	24.0	22.2	-1.8
Total Staff-Years	157.0	158.5	142.0	132.0	-10.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

In 1987, the Department will continue to focus on improving the efficiency, effectiveness, and equity of HUD programs as well as the development of new approaches to carrying out the Department's mission.

PD&R will continue to:

- — maintain the stability of the housing finance system through continued improvements to secondary market institutions and regulatory systems;
- — enhance homeownership opportunities through the design of sound mortgage instruments in existing FHA programs;
- — develop cost-effective policies for the management, operation and maintenance of the insured and assisted multifamily housing inventory;
- — improve the quality of life of public housing tenants and promote the cost-effective management of public housing;
- — design appropriate programs to ensure a supply of affordable rental housing in a post tax-reform economy, including improvements to the voucher program;
- — develop an appropriate Federal role in support of community and economic development as the balance of fiscal capacity shifts;
- — increase the affordability of housing through technological and regulatory improvements, with a new focus on rehabilitated as well as newly constructed housing; and
- — increase compliance and enforcement of fair housing laws and develop new strategies to promote fair and non-discriminatory housing.

The Department will continue to rely on in-house staff for priority activities and continue to utilize a program which integrates externally funded activity with internal work on HUD's research projects.

Staff is distributed among the following areas:

a. Immediate Office of the Assistant Secretary

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-Time Permanent Appointments, End of Year....................................	26	22	22	21	-1
Staff-Years....................................	28.8	23.2	24.1	22.3	-1.8

The Assistant Secretary is responsible principally for the development, planning, execution, and evaluation of HUD's research programs and demonstrations; and for providing economic and policy analysis and staff assistance to the Secretary and Under Secretary in determining departmental policy for national housing and community development goals, program priorities, and objectives. In fulfilling these responsibilities, the Assistant Secretary and her staff are also involved in the development of strategies to improve policy coordination and in the implementation of such policies across program areas.

The immediate office also provides general administrative support for the overall PD&R organization. Other activities performed are the administration of a comprehensive system of program control, the operation of a research management information system, and the provisions of budget support to the Assistant Secretary.

Program control involves defining the milestones, projecting requirements, assessing progress against planned schedules, and monitoring the timeliness of delivery of final products. This allows the staff to ascertain the status of any research effort. The research management information system allows PD&R to respond to numerous internal and external inquiries in a timely manner.

b. Office of Policy Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-Time Permanent Appointments, End of Year..................................	38	38	34	33	-1
Staff-Years..................................	41.9	40.2	37.1	34.8	-2.3

The staffing change in 1986, as reflected in the difference between the budget and current estimates reflect a decrease of four. In 1987, there is a decrease of one.

The policy development function involves providing staff assistance to the Secretary, Under Secretary, and Assistant Secretary for PD&R in determining Departmental policy for national housing and community development goals, program priorities, and objectives. In the carrying out of these responsibilities, policy goals are analyzed, various options are developed, and overall strategies are established to coordinate Departmental policy development. This function also involves implementation of policy across program areas, including the dissemination and communication of developed policies throughout the Department.

Short-term analytical studies undertaken by in-house staff include: (1) field studies designed to provide information on the characteristics of projects, neighborhoods, and program participants; (2) cost-benefit studies on HUD programs; and (3) survey research studies aimed at gathering attitudinal and impact data relevant to pending program and policy decisions and to the evaluation of existing programs.

Dissemination activities include the development and implementation of plans and programs for encouraging the utilization of HUD-sponsored research results. Staff in this area are currently utilizing the services of an automated system of bibliographic information on completed research projects to aid in publishing complete and up-to-date information on both in-house and contract studies. Additionally, this division acts as PD&R's liaison with other part HUD regarding research utilization and publication policy issues, and provides expert advice to PD&R offices and divisions concerning research utilization policy and strategies.

Staff are also involved in monitoring demonstrations conducted under HUD's Quality of Life tentatives.

c. Office of Economic Affairs

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-Time Permanent Appointments, End of Year..................................	37	37	33	32	-1
Staff-Years..................................	40.8	39.1	36.0	33.7	-2.3

The staffing change in 1986, as reflected in the difference between the budget and current estimates reflects a decrease of four. In 1987, there is a decrease of one.

This staff is responsible for performing housing and financial market studies and for providing economic and market analyses, impact assessment and recommendations, and alternatives for Departmental action with respect to the economy. Research undertaken includes the examination of ways to develop and continue the availability of stable sources of mortgage credit. This examination will include the effect of various Federal, State and local initiatives on the continuing availability of mortgage credit, and an analysis of the effects of secondary mortgage market activities, banking deregulation and tax reform on housing finance.

The staff working in this area are also engaged in designing and monitoring several data series, including the American Housing Survey. The survey is undertaken to measure changes in the housing inventory, to compile data on the physical condition of housing units, and to determine the characteristics of housing occupants in both urban and rural areas. The other data series include:

- survey of market absorption of new rental units;
- survey of new home sales and housing construction completions;
- survey of mortgage lending and commitment activity;
- survey of manufactured home placement; and
- survey of market absorption of new multifamily units

This staff also coordinates, trains, and provides technical and policy assistance to regional and field economists in carrying out their review functions for Housing and Community Planning and Development programs. Additionally, this office initiates and coordinates policy and operating strategies for functions assigned to field economists, including the development of procedures to guide field economists in evaluating community development proposals and providing technical assistance to localities and states; and development of the field economist part of the plans for allocating housing assistance funds, housing market analyses service, and economic feasibility analyses for economic development program applications.

Another area of research conducted by this staff is aimed at urban economic development, fiscal stress, and the growth of an urban economic base and preparation of the Urban Policy Report. Analysis of the impact of proposed tax and budget changes on economic development, housing markets, and the general fiscal well-being of the State and local government public sector will also be undertaken.

d. Office of Urban and Community Studies

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-Time Permanent Appointments,					
End of Year....................................	19	26	19	18	-1
Staff-Years....................................	21.1	27.5	20.8	19.0	-1.8

This staff is responsible for performing major demonstrations, evaluations and research of progress and issues, such as fair housing, that have a direct bearing on the urban communities in this country.

Studies in the community development area cover topics such as the targeting of urban aid to distressed cities, the effectiveness of urban rehabilitation programs, and the capacity of States to assume responsibilities for community development programs. Staff have developed many of the state-of-the-art techniques in assessing urban funding formulas and measuring city distress.

In the fair housing area, staff have made significant contributions to developing the testing methodology for detecting housing discrimination. Fair housing research has also focused on public housing desegregation, activities that Community Development Block Grant recipients are undertaking to affirmatively further fair housing, and the impacts and effectiveness of major fair housing programs. Fair housing legislative and litigation assistance is also a major staff activity.

No additional staff is requested in 1987.

e. Office of Housing Studies

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-Time Permanent Appointments,					
End of Year.....................................	22	27	22	21	-1
Staff-Years.....................................	24.4	28.5	24.0	22.2	-1.8

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 7: FAIR HOUSING AND EQUAL OPPORTUNITY

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Total Budget Activity..................	$25,694	$26,521	$25,918	$27,768	+$1,850
Full-Time Permanent Appointments, End of Year..........................	540	574	552	553	+1
Full-Time Equivalents..................	560.8	590.5	562.7	582.9	+20.2
Staff-Years............................	566.8	595.7	567.1	587.8	+20.7

SUMMARY OF BUDGET REQUEST

The 1987 request is for $27,768 thousand and 553 positions, an increase of $1,850 thousand and 1 position as compared to 1986. The position increase (in Headquarters) is required to support the proposed new Fair Housing Initiatives Program (FHIP).

The funding increase consists of $1,310 thousand for personal services to support a 20.7 staff-year increase, principally for additional field staff, and $540 thousand for support costs; principally for travel, technical services and supplies.

FUNDING

The following table shows the actual 1985 obligations and estimated 1986 and 1987 obligations for this activity by object class:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services......................	$22,519	$23,086	$22,784	$24,094	+$1,310
Travel and Transportation of Persons..............................	848	935	913	999	+86
Transportation of Things...............	24	40	28	28	...
Rent, Communications and Utilities.....	404	411	428	448	+20
Printing and Reproduction..............	145	186	117	148	+31
Other Services.........................	1,160	1,495	1,034	1,391	+357
ADP Services.........................	(296)	(884)	(331)	(398)	(+67)
Contracts............................	(545)	(242)	(253)	(479)	(+226)
Supplies and Materials.................	426	188	454	514	+60
Furniture and Equipment................	167	179	159	145	-14
Insurance and Indemnities..............	1	1	1	1	...
Total................................	25,694	26,521	25,918	27,768	+1,850

Salaries and Expenses, Housing and Urban Development
Budget Activity 6: Policy Development and Research

The staff develops and implements policy-oriented research and program evaluations that address low-income housing, public housing, barrier-free housing, and other activities related to building technology, housing safety, and resource conservation.

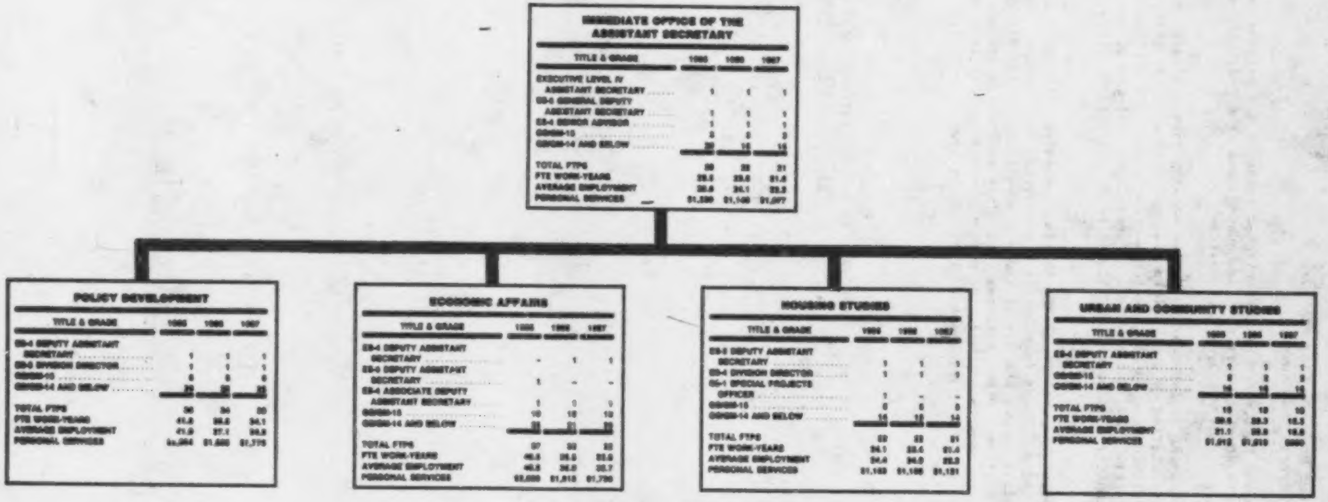
Staff involved in housing assistance and public housing research develops and implements research and evaluation projects relating to national housing assistance policy including: housing subsidy methods; evaluation of alternative housing assistance techniques and methodologies; housing market analyses and evaluation activities; and analysis of operational effects of new, existing, and past assistance programs on community development to illustrate or evaluate modifications to existing approaches.

Staff are also involved in the Affordable Housing Demonstrations which are, part of the Joint Venture for Affordable Housing. These initiatives are proving that the cost if housing can be brought down when local regulations permit the use of known innovations in site design, site development, and building construction. Other building technology activities include continuing support for program offices of the Department concerned with technical matters such as housing standards and energy issues, and continuing management of the Experimental Technology program under Section 233 of the National Housing Act.

2. FIELD EMPLOYMENT

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 VS 1986
Full-time Permanent Appointments, End of Year	...	...	...	...	...
Staff-Years	...	1.8	...	...	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
POLICY DEVELOPMENT AND RESEARCH
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 SENIOR ADVISOR	1	1	1
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	20	16	15
TOTAL FTPS	26	22	21
FTE WORK-YEARS	28.5	23.6	21.6
AVERAGE EMPLOYMENT	26.6	24.1	22.2
PERSONAL SERVICES	$1,239	$1,140	$1,077

POLICY DEVELOPMENT

TITLE & GRADE	1985	1986	1987
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DIVISION DIRECTOR	1	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	28	26	22
TOTAL FTPS	36	34	30
FTE WORK-YEARS	41.6	36.6	34.1
AVERAGE EMPLOYMENT	41.9	37.1	34.8
PERSONAL SERVICES	$2,004	$1,880	$1,775

ECONOMIC AFFAIRS

TITLE & GRADE	1985	1986	1987
ES-4 DEPUTY ASSISTANT SECRETARY	-	1	1
ES-6 DEPUTY ASSISTANT SECRETARY	1	-	-
ES-4 ASSOCIATE DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	25	21	21
TOTAL FTPS	37	33	33
FTE WORK-YEARS	46.6	35.5	33.6
AVERAGE EMPLOYMENT	46.5	36.0	33.7
PERSONAL SERVICES	$2,000	$1,815	$1,736

HOUSING STUDIES

TITLE & GRADE	1985	1986	1987
ES-5 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DIVISION DIRECTOR	1	1	1
ES-1 SPECIAL PROJECTS OFFICER	1	-	-
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	15	13	14
TOTAL FTPS	23	22	21
FTE WORK-YEARS	24.1	22.4	21.4
AVERAGE EMPLOYMENT	24.4	24.0	22.2
PERSONAL SERVICES	$1,163	$1,186	$1,131

URBAN AND COMMUNITY STUDIES

TITLE & GRADE	1985	1986	1987
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	2	2	3
GS/GM-14 AND BELOW	16	16	15
TOTAL FTPS	19	19	19
FTE WORK-YEARS	20.5	20.3	18.3
AVERAGE EMPLOYMENT	21.1	20.5	18.8
PERSONAL SERVICES	$1,012	$1,010	$980

SUMMARY
POLICY DEVELOPMENT AND RESEARCH

TITLE & GRADE	1985		1986		1987	
	HQ	TOTAL	HQ	TOTAL	HQ	TOTAL
EXECUTIVE LEVEL IV	1	1	1	1	1	1
ES-6	1	1	1	1	1	1
ES-4	5	5	6	6	6	6
ES-3	2	2	2	2	2	2
ES-1	1	1	-	-	-	-
GS/GM-15	30	30	26	26	25	25
GS/GM-14 AND BELOW	102	102	94	94	90	90
TOTAL FTPS	142	142	130	130	125	125
FTE WORK-YEARS	165.5	165.5	138.4	138.4	126.4	126.4
AVERAGE EMPLOYMENT	167.0	167.0	142.9	142.9	132.0	132.0
PERSONAL SERVICES	$7,890	$7,890	$7,026	$7,026	$6,589	$6,589

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ASSISTANCE PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 v 1986
			(Dollars in Thousands)		
Program Levels:					
Assistance to State and Local Agencies:					
Number	115	110	130	110	-20
Obligations	$3,206	$4,000	$8,541	$4,000	-$4,541
Assistance to Community Housing Resource Boards:					
Number	82	50	92	50	-42
Obligations	$1,544	$1,000	$2,615	$1,000	$1,615
Total Obligations	4,750	5,000	11,156	5,000	-6,156
Appropriation (Budget Authority):					
Enacted or Proposed	6,700	5,000	6,626	5,000	-1,626
Sequestration	NA	NA	-285	...	+285
Total	6,700	5,000	6,341	5,000	-1,341
Budget Outlays	5,462	5,000	8,442	6,950	-1,492

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST.

The Budget requests $5 million for the Fair Housing Assistance Program (FHAP) in 1987. The program will continue to supplement the enforcement and voluntary compliance activities which are carried out pursuant to Title VIII of the Civil Rights Act of 1968, as amended.

The Budget also proposes enactment of the Fair Housing Initiatives Program (FHIP), for which $7 million is requested in 1987 and is the subject of a separate Justification. Total funding requested for both programs in 1987 is $12 million as compared to $6.3 million for FHAP in 1986. The latter figure reflects the sequestration of $285 thousand pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (P. L. 99-177). Together, these two programs form a national, comprehensive fair housing strategy, based upon greater cooperation between government and the private sector in the battle against housing discrimination.

If authorizing legislation for the new Fair Housing Initiatives Program is not enacted prior to January 1, 1987, the Budget proposes that an additional $1.7 million shall be available for the Fair Housing Assistance Program--to be transferred from amounts to be appropriated for the Fair Housing Initiatives Program. It is estimated that of this $1.7 million, $700 thousand will be used for the State and Local Agency component and $1 million will be used for the Community Housing Resource Boards (CHRBs) component.

Fair Housing Assistance Program

a. State and Local Agencies

In 1987, $4 million is requested for the State and local agencies component, a reduction of $449 thousand from the 1986 appropriation, when adjusted for the sequestered amount. The primary purpose of this activity is to support substantially equivalent State and local agencies in processing Title VIII complaints. A total of 110 agencies are estimated to participate in the program in 1987.

b. Community Housing Resource Boards

The Budget requests funding for the Community Housing Boards (CHRBs) at a level of $1 million, a decrease of $893 thousand from the 1986 appropriation when adjusted for the sequestered amount. The primary reason for the decrease is that CHRB education and outreach activities, previously funded under this program will be eligible for funding under the Education and Outreach component of the new Fair Housing Initiatives Program.

The 1987 funds will be used to continue supporting CHRBs to increase their effectiveness in assisting local housing industry groups and HUD in the administration of Voluntary Affirmative Marketing Agreement (VAMA) programs. HUD estimates that 50 CHRBs will be funded under FHAP in 1987.

2. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

Actual obligations in 1985 ($4.8 million) were $3.5 million less than the Budget estimate of $8.3 million. The decrease is again primarily due to the State and local agency component and reflects a longer than anticipated negotiation process with eligible agencies in order to complete cooperative agreements.

Actual outlays were $5.5 million which is $2.3 million below the 1985 estimate of $7.8 million. The decrease reflects the continuing slow draw down of funds by State and local agencies. Many agencies are required to receive concurrence from their State/local executive bodies before vouchers are submitted to the Department, a process which has proven to be very time consuming.

3. CHANGES FROM 1986 BUDGET ESTIMATES

The current estimates of obligations are $6.2 million above the 1986 Budget estimate of $5.0 million. This results from the unobligated balance remaining at the end of 1985 and $1.3 million additional appropriated funds than had been estimated. The outlay estimate for 1986 is $8.4 million, an increase of $3.4 million above the 1986 Budget estimate. This increase is primarily attributable to the delay of State and local agencies and CHRBs in obligating and drawing down funds in 1985, which resulted in higher than anticipated unexpended balances being available for disbursement in 1986.

EXPLANATION OF INCREASES AND DECREASES

The 1987 appropriation request of $5.0 million reflects a decrease of $1.3 million from the 1986 appropriation of $6.3 million. The 1987 request reflects a decrease in funding for the Type II (competitive) part of the State and local agency component and also for the CHRBs component.

The number of substantially equivalent State and local agencies participating in the FHAP program in 1987 is expected to decrease by 20, which includes eight (8) States and twelve (12) localities. The number of CHRBs participating are expected to decrease from 92 to 50. Both of these decreases are attributable to the lower obligation estimates in 1987.

Fair Housing Assistance Program

PROGRAM DESCRIPTION AND ACTIVITY

The Fair Housing Assistance Program supplements the enforcement and voluntary compliance activities which are carried out by HUD Field staff pursuant to Title VIII of the Civil Rights Act of 1968. These activities include complaint investigations, conciliations, and monitoring of compliance agreements and voluntary affirmative marketing agreements. To ensure a comprehensive approach towards fair housing enforcement and voluntary compliance, the Fair Housing Assistance Program provides incentives for States, localities, and the private sector to assume a greater share of this responsibility.

1. State and Local Agencies

a. Legislative Authority. Title VIII of the Civil Rights Act of 1968 (the Fair Housing Act) prohibits discrimination in the sale, rental, and financing of housing and in the provision of brokerage services. Section 810(c) of Title VIII provides that wherever a State or local fair housing law provides rights and remedies substantially equivalent to those in Title VIII, the Secretary is required to refer to the appropriate State or local agency any complaint filed under Title VIII that appears to constitute a violation of such State or local agency's fair housing law. Section 816 of Title VIII provides that the Secretary may assist State and local agencies in administering a fair housing law by providing them with financial assistance.

b. Program Background. Section 810(c) of Title VIII requires the Department to refer housing discrimination complaints to State and local agencies where those agencies administer laws judged to be substantially equivalent to Title VIII. Since 1980, the Department has provided financial assistance to these agencies in order to enhance their complaint processing capability, to support ongoing training for agency staff, and to create, modify or improve complaint monitoring systems. The State and local agencies component will continue this line of support.

2. Community Housing Resource Boards

a. Legislative Authority. Sections 808 and 809 of Title VIII of the Civil Rights Act of 1968 require the Secretary of HUD to develop means of extending the range of equal opportunity activities beyond the area of law enforcement by promoting institutional changes designed to secure voluntary compliance with the spirit of the law and its policy of fair housing. HUD is further required through Title VIII to cooperate with and render technical assistance to private organizations whose programs seek to combat and prevent discriminatory housing practices.

The CHRBs serve both mandates in that they are organized to work with housing industry boards in developing and implementing voluntary affirmative marketing programs to achieve the goals of the fair housing and equal opportunity program.

b. Program Background. Guidelines for establishing, operating and maintaining Community Housing Resource Boards were developed in 1975, when HUD signed Voluntary Affirmative Marketing Agreements (VAMAs) with the National Association of Realtors (NAR), the National Association of Home Builders (NAHB) and the National Association of Real Estate Brokers (NAREB). The VAMA is signed at the national level and is subsequently implemented with member boards on a local level.

CHRBs are an essential element of the Agreement since they provide a means for enhancing the effectiveness of voluntary affirmative marketing goals. Their purpose is to maximize communication between local housing industry groups and the minority community, give advice and assistance to the housing industry on ways to implement the VAMA goals, and monitor the industry's progress in achieving the fair housing commitment of the Agreements. In prior years, the activities of CHRBs have centered on a variety of activities which support the program requirements of the VAMAs, including education and outreach initiatives.

Fair Housing Assistance Program

DISTRIBUTION OF FUNDS

Fair Housing Assistance Program

The Fair Housing Assistance Program provides funding to both State and local agencies--including the Type I, non-competitive component and the Type II, competitive component--and Community Housing Resource Boards. A projected distribution of the 1986 and 1987 appropriations and a detailed description of the program components follow:

	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)	
Contributions for Capacity Building, Complaint Processing, Training, and Complaint Monitoring Systems (Non-Competitive, Type I)................	$3,785	$4,000
Specialized Fair Housing Projects (Competitive, Type II)......................................	663	...
Subtotal....................................	4,448	
Community Housing Resource Boards (CHRBs)..........	1,893	1,000
Total.......................................	6,341	5,000

The Department depends on Field staff to prepare local agreements and to establish and maintain CHRBs. To conserve staffing resources, HUD needs the involvement of the CHRBs to maintain ongoing relationships with signatory industry groups and provide them with technical assistance. The Budget requests funds to develop the most effective CHRBs with the capability to assist in implementing agreement goals and to monitor program effectiveness.

A pre-condition of funding is that it can only be expended to carry out the monitoring and implementation functions of the agreement with the housing industry group in accordance with HUD policy and directives. Funding will be limited to those CHRBs which can demonstrate they will have the resource to plan for effective implementation and monitoring of the VAMA.

The Budget request proposes funding for those activities which can be demonstrated to be components of viable programmatic strategies designed to support the goals of the Affirmative Marketing Agreement. It is anticipated that funded activities will generally come under the following headings:

a. assessment of the effectiveness of the VAMA agreement, including the specific activities it endorses;

b. assessment of realtor or home builder office procedures and practices; and

c. expansion of minority involvement in the industry.

HUD estimates that individual CHRBs will receive a funding level of $15,000 to $30,000 to carry out these activities. The actual distribution of funds would depend on individual proposals. CHRBs will also be eligible to compete for funding in the Education and Outreach component of the Fair Housing Initiatives Program, including those CHRBs not funded through the FHAP program.

IMPLEMENTATION OF PROGRAM

1. State and Local Fair Housing Agencies

Fair housing assistance to State and local agencies will be contingent on continued substantial equivalency recognition and will involve on-site review and evaluation by HUD for acceptable performance. HUD estimates that, by the end of 1987, 110 agencies will be participating in the program with a signed Memoranda of Understanding with HUD to accept and process HUD-referred complaints. A funding level of $4 million will be available to assist these agencies.

Fair Housing Assistance Program

The Type I component of FHAP is designed to provide contributions to agencies based on their housing discrimination complaint workloads. It encompasses the categories of capacity building, training and agency complaint monitoring systems, as well as contributions toward complaint processing for agencies which are beyond the capacity building stage. This component is non-competitive in nature; eligible agencies are funded to develop and sustain a capacity to process all housing discrimination complaints arising in their jurisdiction.

The Type II component of FHAP provides support for specialized project proposals developed by State and local agencies to enhance the agencies' fair housing programs. Such proposals may include, but are not limited to, education and outreach projects, technical assistance projects, and projects designed to improve an agency's capability to ensure fair housing through new or redirected approaches to the agency's internal structure or compliance techniques. Beginning in 1987, these activites will be eligible for funding under the proposed new Fair Housing Initiatives Program.

The 1987 FHAP estimate reflects a level of funding based upon a simplified and streamlined approach to providing financial support for agency complaint processing efforts, training and complaint tracking.

The State and local agencies program will continue to provide support for agency participation in training programs sponsored by HUD and for creating or modifying existing complaint tracking and monitoring systems so as to ensure compatibility with HUD's own Complaint and Compliance Review System (CCRS). The Department intends to utilize a limited amount of the funds for the development of uniform training modules, instructional materials, and to support other contractual services in support of annual training programs.

The two threshold eligibility criteria for Type I funding--equivalency recognition and execution of a Memorandum of Understanding between the agency and the Department--will continue to be in force under the State and local agencies program.

2. Community Housing Resource Boards

Over 1,400 Voluntary Affirmative Marketing Agreements will be in existence during fiscal year 1986. It is essential that monitoring be a part of this voluntary program because once an agreement is signed, reporting requirements are held to a minimum. Therefore, to ensure that signatories are in fact carrying out an affirmative program, Resource Boards located in the signatory's jurisdiction will review each member's outreach program, recruitment of minority employees and marketing procedures.

About 600 CHRBs will be in existence at the end of 1986. An additional 50 CHRBs will be organized during 1987. A funding level of $1 million will provide assistance to approximately 50 CHRBs in 1987.

The Department is responsible for establishing CHRBs, and maintaining them through training and technical assistance. To assist CHRBs in becoming operational, technical assistance will also be provided in 1986 and 1987 through Regional Conferences and a CHRB manual. At the end of fiscal year 1986, HUD projects the number of voluntary agreements will increase to 1,500. There is a potential universe of 1,780 voluntary agreements between HUD and the National Association of Realtors and National Association of Real Estate Brokers, and 600 with the National Association of Home Builders.

PROGRAM HIGHLIGHTS AND ACCOMPLISHMENTS

1. State and Local Fair Housing Agencies. A number of significant accomplishments have occurred as a result of the financial assistance provided to substantially equivalent agencies. Some of these accomplishments are presented below.

-- Number of Recognized Agencies. The availability of federal financial assistance has encouraged State and local agencies to develop equivalent fair housing laws and accept referral of complaints filed with HUD. In 1980, at the beginning of the program, there were 23 recognized agencies, of which only 9 were accepting HUD referrals. There are now 96 recognized agencies all but 3 of which are accepting referrals. Five other agencies with equivalent laws are working with the Department as "interim" agencies, while they establish performance track records. Additionally, there are currently 22 outstanding requests for recognition pursuant to the provisions of Title VIII and a number of jurisdictions have indicated they are in the process of enacting legislation that will enable them to request recognition. Of particular interest, during 1985, a large Southern State--Tennessee--enacted fair housing legislation and was granted recognition. Additionally, equivalent fair housing legislation was enacted in the State of Oklahoma. It is clear that the Fair Housing Assistance Program has been a catalyst encouraging States and localities to meet the standards of equivalency which would enable them to assume the responsibility for processing allegations of housing discrimination arising in their jurisdictions.

-- Training. During fiscal year 1985, the State and local agencies training program continued to expand. By the end of the year, staff from all of the agencies participating in the Fair Housing Assistance Program had attended comprehensive training seminars jointly developed between their agencies and the appropriate HUD Regional Offices.

-- Complaint Processing. In June of 1985, HUD received the final report on the Evaluation of the Fair Housing Assistance Program, conducted by the ABT Associates of Cambridge, Mass., under contract with the Office of Policy Development and Research. The results of this comprehensive two-year study indicate that the FHAP has already improved State and local fair housing efforts. In particular, the report concludes that in three critical areas the FHAP agencies have made progress - they are processing more housing discrimination cases, they are processing the cases faster, and they have increased the frequency and quality of relief to complainants. The report also contains numerous recommendations for improvements in FHAP administration which are now under scrutiny within FHEO.

Data indicate there has been a considerable increase in complaints received and the number referred, since implementing FHAP. At the same time, the percentage of referred complaints, which are subsequently recalled, has declined. Statistics for fiscal year 1985, as compared to 1980 (the year prior to implementation of FHAP), show the following:

	FY 1980	FY 1985	Percent Change
Title VIII Complaints			
Total Complaints Received......	3,039	4,882	+61
Complaints Referred............	410	3,102	+657
Percentage of Referred Complaints Recalled...........	8.8	a/	a/

a/ Less than one percent of complaints recalled.

2. Community Housing Resource Boards. The following is a sample of some of the accomplishments of CHRBS:

-- Jamestown, New York CHRB conducted two workshops. One focused on the prospective homeowner and was targeted to minorities and females. It covered such topics as "Your Rights Under Fair Housing Laws," what to look for in selecting a house or neighborhood (i.e., schools, transportation, employment), types of financing, using a real estate broker, where to seek counseling, and fair housing laws.

A second workshop focused on those involved in the real estate industry, and served as an educational tool for new realtors and as an update for others. It covered such topics as the most recent fair housing provisions and procedures, voluntary affirmative marketing information in advertising; and review of VAMA provisions. It also provided an opportunity for the distribution of fair housing publications and provided an opportunity for additional member firms of the board of realtors to become signatories to the VAMA.

The Jamestown CHRB also published information on rental housing units and the rights and responsibilities of tenants. In conjunction with the publication of a tenant guidebook, a public informational meeting was held which involved officials responsible for the enforcement of fair housing, a landlord, a real estate broker, and a legal advocate.

-- The Carroll County, Maryland CHRB developed a citizen survey report. The report presents the results of a survey of 366 Carroll County residents by means of a 33-point questionnaire. The primary purposes of the survey were "(1) to determine the level of citizen knowledge regarding these federal and State fair-business laws; and (2) to measure the degree of impact of the Carroll County CHRB's attempt to inform and educate county residents regarding the principles of fair housing and fair-housing legislation."

The survey was conducted, and the report was prepared for the CHRB by two faculty members of the Frostberg State College Department of Sociology. The report describes the methodology used and reproduces the questionnaire.

The CHRB also developed The Home Hunters Guide to Carroll County, which provides descriptions of various areas of Carroll County, as well as other information to help home hunters (both renters and buyers) explore areas that might meet their housing needs.

-- The Tuscalossa, Alabama CHRB developed a 30-minute video tape presentation called A Standard of Fairness. This tape opens with the discouraging experience of a black family that encounters discrimination in its search for a home. This is followed by a definition and discussion of the Voluntary Affirmative Marketing Agreement, the role of U.S. Department of Housing and Urban Development, and the relationship of HUD, the CHRB, and the board of Realtors.

"Steering," in various forms, is described, and actions to take when discrimination is suspected are shown.

The range and scope of community efforts to ensure fair housing opportunities for all is illustrated by appearances and comments by the mayor, representatives of the homebuilding and financial sectors, as well as realtors and the CHRB.

The importance of bringing minorities into the real estate business is emphasized, and the University of Alabama real estate internship program is described.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986 a/	CURRENT ESTIMATE 1986	ESTIMATE 1987
Program Levels:				
Administrative Enforcement Initiative:				
Number of Awards	NA	NA	...	130
Obligations	NA	$3,000	...	$3,000
Education and Outreach Initiative:				
Number of Awards	NA	NA	...	30
Obligations	NA	$3,000	...	$1,000
Private Enforcement Initiative:				
Number of Awards	NA	NA	...	30
Obligations	NA	$4,000	...	$3,000
Total Obligations	NA	$10,000	...	$7,000
Budget Authority	NA	10,000	...	7,000
Outlays	NA	6,000	...	4,200

a/ The 1986 Budget did not include specific estimates of the number of awards by components.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests a $7 million appropriation for the "Fair Housing Initiatives Program" (FHIP), as part of an expanded, national fair housing effort to complement the Department's existing enforcement and compliance program. The new Fair Housing Initiatives Program will require authorizing legislation.

The other principal component of the Department's comprehensive fair housing strategy is the existing Fair Housing Assistance Program (FHAP) for which the Budget requests $5 million. However, if authorizing legislation for the Fair Housing Initiatives Program is not enacted by January 1, 1987, the Budget proposes the funding level for FHAP be increased to $6.7 million.

The Budget request of $7 million will provide the Department with a program designed to intensify and expand a coordinated approach to: (1) further Title VIII's purposes; (2) guarantee the right of all Americans to seek housing in a housing market free from discrimination; and (3) inform the American citizenry of its rights.

This new program will build on our initial success in FHAP and begin a new era of cooperation between government and the private sector in the battle against housing discrimination.

2. CHANGES FROM 1986 BUDGET ESTIMATES

This program proposal was introduced for the first time in fiscal year 1986. Authorizing legislation has not been enacted and no funds were appropriated by Congress.

PROGRAM DESCRIPTION

The Fair Housing Initiatives Program is intended to supplement the current fair housing enforcement activities of the Department. Those activities include programs of enforcement and compliance, voluntary compliance, and education and outreach. This new program would provide the means to assist projects and activities designed to enhance compliance with Title VIII and substantially equivalent State or local laws.

Further, the program is designed to assist outreach and education efforts so as to provide information concerning rights and obligations under Federal, State and local fair housing laws. Thus, this program will enable the Secretary to more effectively coordinate a wide range of enforcement, compliance, education, and outreach efforts.

1. Legislative Authority. The Budget is proposing legislation for this program as part of the fiscal year 1987 legislative program.

2. Program Background. President Reagan, in his April 1982 policy statement on Fair Housing, stated ". . . This administration supports a concerted national effort to eliminate discrimination in housing . . . ." Based upon HUD's 18 years of experience in administering Title VIII of the Civil Rights Act of 1968, as amended (the Federal Fair Housing Law), it is evident that discrimination in housing nationwide has not abated. Illustrative of this serious national problem are incidents reported in Marietta, Georgia; Bergen County, New Jersey; Chicago, Illinois; Dade County, Florida; Miracle Valley, Arizona; New York City, New York; and Wilmington, Delaware. Our experience nationally tells us that the extent of discrimination has not diminished. However, the number of complaints filed has been diminishing for the past two fiscal years.

The Department is seeking to construct a comprehensive national effort which encompasses all parties active in the fair housing arena. These include but are not limited to State and local equivalent agencies, private civil rights organizations, newly established entities at the State and local level to coordinate fair housing strategies, and others which would be eligible for Fair Housing Initiatives funding.

This program will complement the Secretary's authority under Title VIII of the Civil Rights Act of 1968. It will enable the Secretary to coordinate a broad range of activities aimed at enforcement, compliance, education and outreach, as well as technical assistance to public and private parties. In particular, it will create a single program which will focus on developing innovative, nonduplicative, and efficient techniques for both the promotion and enforcement of fair housing laws at the Federal, State and local levels.

3. Program Components. Three major components comprise the Fair Housing Initiatives Program.

a. The Administative Enforcement Initiative. This initiative will fund government agencies which administer fair housing laws substantially equivalent to the Federal statute for innovative enforcement and compliance activities and would replace the existing "Type II" grants under the State and local agency category of the Fair Housing Assistance Program (FHAP). While it would be similar in operation to the State and local agency FHAP activity, and would be competitive, the purposes and thrust of this component of FHIP would take on a more specific enforcement and compliance orientation, since that is the basic purpose of equivalent agencies. Examples of the types of projects envisioned under this component would include:

-- providing assistance concerning applicable fair housing laws and regulations to State and local governments administering housing and community development programs; and

-- conducting investigations of systemic discrimination for further processing by State and local agencies, HUD, or the Department of Justice.

b. Education and Outreach Initiative. This second initiative will provide assistance to State or local governments or their agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The program participants will use their funds to develop, implement, carry out, or coordinate education and outreach programs designed to inform the public or appropriate segments of the public concerning their rights and obligations under Title VIII and substantially equivalent State and local laws. Generally, HUD is authorized to currently support outreach and education programs provided by State and local fair housing agencies under FHAP Type II competitive funding, and by Community Housing Resource Boards (CHRBs). This initiative would permit the consolidation of the existing education and outreach programs and would expand these efforts by making assistance available to a broader universe of eligible parties.

The CHRB funding set-aside under FHAP would be reduced to reflect the transfer of the education and outreach aspect of CHRBs to FHIP. CHRBs' activities with local real estate industry groups in connection with Voluntary Affirmative Marketing Agreements (VAMAs) continue to be funded under the Education and Outreach Initiative and for activities that are supportive of the goals of the New Horizons program. New Horizons is a national program to assist State and local governments in planning and executing comprehensive, community-wide approaches to fair housing.

The education component will provide up to two years of funding for projects such as:

-- developing informative material on fair housing rights and responsibilities;

-- developing fair housing and affirmative marketing instructional materials and educating national, regional, and local housing industry groups;

-- providing educational seminars and working sessions for community based civic organizations and other groups representing specific segments of the community seriously affected by, and concerned with, discriminatory housing practices; and

-- developing educational material targeted at specific groups protected under Title VIII that are most likely to experience discrimination or that are in need of specific or additional information on their fair housing rights.

The outreach component recognizes the need for a coordinated national effort to inform and reach out to individuals and groups who are currently unaware of their fair housing rights and responsibilities or are unaware of the means to redress their grievances. Outreach activities include broad, media-focused efforts to provide basic levels of information regarding fair housing. State and local fair housing agencies, Community Housing Resource Boards, private civil rights organizations, States and localities, and others, may all be eligible for funding under this segment of the Fair Housing Initiatives Program.

Among the activities that will be considered under the outreach component are the following:

-- developing advertising programs primarily targeted at minorities through the use of various forms of media;

-- bringing housing industry and civic or fair housing groups together to identify illegal real estate practices and determine how to correct them;

-- designing innovative outreach projects to inform all persons of the availability of housing opportunities;

-- developing and implementing a response to new trends and sophisticated practices that result in discriminatory housing practices; and

-- developing mechanisms for the identification of, and quick response to, housing discrimination cases involving the threat of physical harm.

c. The Private Enforcement Initiative. The third major component will expand the capacity of non-government entities to help enforce fair housing laws. Private organizations have historically played a key role in the struggle for housing equality in this country. These organizations will be funded to assist in the administrative and judicial enforcement of fair housing laws through support for testing, legal revolving funds, and capacity building. There is considerable utility and need to support privately initiated fair housing enforcement efforts to complement existing administrative and judicial enforcement systems. The extensive network of local, non-profit fair housing centers provides an important and natural source of assistance to complainants of discrimination in rental, sales, and credit transactions. The effectiveness of private fair housing centers has been demonstrated in a number of HUD demonstration projects. Currently, the Secretary has no authority to fund direct non-governmental efforts to enforce or to ensure compliance with fair housing laws. Types of projects to be funded include:

-- professionally conducted testing or other investigative support for administrative and judicial enforcement;

-- standardizing and refining fair housing testing and other investigative techniques; and

-- establishing effective means of meeting legal expenses related to the litigation of fair housing cases.

The funding of litigation against the Federal government through the use of the FHIP program would not be permitted under the proposed authorizing legislation.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $25,694 thousand are $658 thousand less than the previously provided estimate of $26,352 thousand. The reduction is the net effect of $709 thousand less than anticipated for personal services costs due to lower than estimated staff usage and average staff-year cost partially offset by a net increase of $51 thousand for support costs.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$26,521
Add amendment to restore proposed five percent pay reduction	+1,055
Deduct cost of functional transfer	-182
Deduct effect of general repricing	-417
Deduct mandated funding reduction	-1,059
Current 1986 estimate	25,918

The changes to the funding requirements for 1986 are the result of the following:

- decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $1,055 thousand;
- the transfer of certain responsibilities for Minority Business Enterprises from this activity to the Departmental Management activity results in a decrease of four positions and $182 thousand;
- a reassessment of funding needs based on more recent cost and requirement data results in a reduction of $417 thousand. The decrease is due to reduced requirements for automated data processing services; and
- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $1,059 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$25,694	$25,918
Changes to terminal leave and severance pay	-21	+113
Changes in personal services costs due to changes in average employment	+12	+835
Changes in personal services costs due to changes in average cost per staff-year	+274	+362
All other changes	-41	+540
Total obligations	25,918	27,768

There are net increases in personal services costs of $265 thousand in 1986 and $1,310 thousand in 1987. They reflect the following:

- terminal leave and severance pay are expected to decrease $21 thousand in 1986 and increase $113 thousand in 1987;
- it is estimated that staff-year increases in both 1986 and 1987 will require respective increases of $12 thousand and $835 thousand.

-- changes to the average cost per staff-year due to promotions, within-grade increases and changes to the relative mix of permanent full-time, part-time and temporary staff are expected to result in increases of $274 thousand in 1986 and $362 thousand in 1987.

Non-personal services, such as travel, printing, automated data processing services, supplies, etc., are expected to have a net decrease of $41 thousand in 1986 and an increase of $540 thousand in 1987. The relatively large increase during 1987 is across the board and reflects the reduction or deferral of such items in 1986 in order to remain within the funding levels established by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The largest increase is for Technical Services contracts which is discussed in the following section.

4. CONTRACTS

The funding request provides for contractual support. The following table identifies the specific contracts required and is followed by a description of each of the items.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Technical Services					
In-House Investigations (E.O. 11478)..........	$282	$175	$175	$350	+$175
Stand Alone Guide............................	30	...	...	...	...
Oral Interpreting Services....................	31	25	36	36	...
Subtotal..................................	343	200	211	386	+175
Data/Statistical Services					
Equal Employment Opportunity Commission Data..	42	15	42	45	+3
OPM Complaint Data............................	...	27	...	...	...
Subtotal..................................	42	42	42	45	+3
Training Contracts					
Outreach/National Meetings....................	122	...	...	48	+48
Hispanic Conference...........................	38	...	...	...	...
Subtotal..................................	160	...	...	48	+48
Total Contracts........................	545	242	253	479	+226

a. Technical Services.. $386 Thousand

These funds are required on a continuing basis for two contracts. The first is for the conduct of investigations by a third party of equal employment opportunity complaints by HUD employees. The second is for the continuation of the department-wide Sign Language and Oral Interpreting Service for 1987. This contract provides interpreting services throughout HUD Headquarters on a daily basis for both departmental staff and persons from other governmental agencies, private organizations and the general public.

b. Data and Statistical Services.. $45 Thousand

These funds are required on a continuing basis to obtain data from the Equal Employment Opportunity Commission (EEOC) and the Office of Personnel Management (OPM). The data obtained is required for the processing of equal opportunity complaints and for the analysis of application for participation in the Department's programs as they relate to fair housing and equal opportunity matters.

c. Training Contracts--Non-Federal.. $48 Thousand

These funds are required for national meetings of participants in Outreach and Enforcement Initiatives. The purpose of the meetings will be to gather fundamental information regarding the various roles of HUD Offices and outside organizations that will be participating in the new Fair Housing Initiatives Program (FHIP). The primary objective of the meetings will be to stimulate interest in conducting a variety of educational efforts through exposing FHIP participants to the expertise of persons who work in the private marketing field as well as those persons whose professions involve working with community, civic and other locally based organizations.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Assistant Secretary for Fair Housing and Equal Opportunity administers civil rights programs in four major areas of responsibility pursuant to civil rights laws and executive orders. Costs for administering these programs are provided under the "Salaries and Expenses" account.

a. Fair Housing. Title VIII of the Civil Rights Act of 1968, as amended, prohibits discrimination on the basis of race, sex, color, religion, or national origin in the sale or rental, provision of brokerage services, or financing of housing.

In addition, Executive Order 11063 prohibits discrimination in the sale or rental of housing and related facilities assisted by Federal funds or insurance because of race, color, religion, creed, sex or national origin.

Under these authorities, the Department carries out a vigorous program of complaint investigation and conciliation, makes equivalency determinations that State and local fair housing laws are consistent with Federal standards, encourages affirmative action programs through requirements set forth in the Affirmative Fair Housing Marketing Regulations, conducts a fair housing information and education program, and provides financial assistance to eligible recipients under the Fair Housing Assistance Program.

b. Equal Opportunity in HUD-Assisted Programs. Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, as amended, and the Age Discrimination Act of 1975, as amended, provide that no person shall, on the grounds of race, color, national origin, handicap, or age be excluded from participation, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance. Section 109 of the Housing and Community Development Act of 1974, as amended, also prohibits discrimination by program recipients under the Community Development Block Grant program and includes a prohibition against discrimination on the basis of sex. Under each of these authorities, complaints are investigated and a program of formal compliance reviews is conducted. In addition, under Section 109, emphasis is placed on stimulating voluntary compliance and providing technical assistance to recipients of Community Development Block Grant and Urban Development Action Grant funds.

c. Training, Employment and Business Opportunities for Residents of HUD Project Areas. Section 3 of the Housing and Urban Development Act of 1968, as amended, requires that the Department, to the greatest extent feasible, establish (1) job and training opportunities for lower-income persons within the unit of local government or the metropolitan area (or non-metropolitan county) where the project is located, and (2) business opportunities for firms located in or owned in substantial part by persons in the same metropolitan area (or non-metropolitan county) as the project. This authority provides for the investigation and resolution of complaints and the conduct of a compliance review program.

The Assistant Secretary for Fair Housing and Equal Opportunity, as the Director of EEO, is responsible for counseling of complainants and the receipt and investigation of complaints, making the final Department decision on complaints, and monitoring the implementation of HUD affirmative action plans.

d. Voluntary Compliance. The voluntary compliance program promotes among persons, firms, and agencies in housing and related industries: (1) an awareness of civil rights laws; (2) voluntary compliance with the law and HUD equal opportunity requirements; (3) expansion of minority training, employment, and business opportunities; and (4) the development of affirmative action programs. Primary vehicles to be used to achieve this objective include development of area-wide voluntary compliance agreements, plans, or guidelines with housing industry groups and concomitant establishment of Community Housing Resource Boards (CHRBs), and implementation of a viable minority goals program.

2. PROGRAM ACTIVITY

To meet successfully the program responsibilities outlined above, the Department has implemented a comprehensive strategy which focuses upon the roles and responsibilities of HUD, State and local governments, and the private sector.

a. Fair Housing Initiatives Program. In 1987, the Budget proposes a new Fair Housing Initiatives Program (FHIP). This program is designed to alleviate housing discrimination by increasing support to public and private organizations. Support will be provided through three initiatives: (a) Administrative Enforcement and Compliance, to broaden the range of enforcement and compliance activities; (b) Education and Outreach, to carry out and coordinate programs designed to inform and educate the public of rights and responsibilities under the fair housing laws; and (c) Private Enforcement, to expand the capacity of non-governmental entities to enforce fair housing laws.

b. Federal Activities. Improved Title VIII complaint processing techniques, which address both individual and systemic complaints of housing discrimination, have been implemented in all ten HUD regions. Under the rapid response processing technique, complaints are analyzed immediately upon receipt and those for which quick settlement is possible through informal means are identified. Systemic complaint processing addresses those complaints which are pervasive, institutionalized in nature, and affect a large number of people over extended periods of time. Teams of highly trained and skilled personnel investigate complaints and prepare cases for subsequent referral to the Department of Justice for court action where conciliation fails.

Additionally, the Department has developed monitoring and targeting criteria to be used by field staffs who conduct the various compliance reviews (i.e., Title VI, Section 109) and monitor recipients of Federal funds. These criteria enable the Department to utilize limited resources more effectively, focus upon complex services discrimination, and ensure that all persons receive the benefits of participation in programs supported by Federal funds.

c. State and Local Enforcement Activities. The Department will continue to enter into contracts with State and local agencies which are recognized as having laws substantially equivalent to Title VIII. The provision of financial assistance to these agencies under the Fair Housing Assistance Program, enhances their capability to effectively process complaints which HUD must refer to them.

d. Public and Private Sector. The Fair Housing Assistance Program also provides financial assistance to Community Housing Resource Boards (CHRBs) which are composed of representatives from various sectors of the community. The CHRBs assist HUD in monitoring and evaluating affirmative marketing agreements which members of the housing industry have signed. The CHRBs are also eligible for assistance under the proposed Fair Housing Initiatives Program.

e. Outreach. Local fair housing and/or civil rights will be funded under contracts to develop and conduct outreach programs to increase public awareness of the purposes, rights, and remedies contained in the Fair Housing Law. Funded projects will focus on public information, use of mass media, and identification of new forms of discrimination. Further, the possible passage of amendments to the Fair Housing Act will necessitate a national public information campaign.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

3. WORKLOAD

The principal workload of Fair Housing and Equal Opportunity consists of processing discrimination complaints, conducting compliance reviews, and implementing voluntary programs. This includes responsibility for Title VIII of the Civil Rights Act of 1968, as amended; Title VI of the Civil Rights Act of 1964; Sections 808(a) and 109 of the Housing and Community Development Act of 1974, as amended; Executive Orders 11063, 12259, and 11478; Section 3 of the Housing and Urban Development Act of 1968, as amended; Section 504 of the Rehabilitation Act of 1973; and the Age Discrimination Act of 1975.

4. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters...............	118	132	120	121	+1
Field......................	422	442	432	432	...
Total....................	540	574	552	553	+1

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters..............	127.7	135.4	128.9	127.6	-1.3
Field.....................	439.1	460.3	438.2	460.2	+22.0
Total....................	566.8	595.7	567.1	587.8	+20.7

The staffing reductions indicated in the current estimate for 1986, as compared to the budget estimate, reflect a reassessment of staffing requirements on the basis of more recent workload data and 1985 usage experience. The reduction at Headquarters also reflects the transfer of four positions from this activity to the Departmental Management activity consistent with the transfer of certain responsibilities associated with providing assistance and guidance to Minority Business Enterprises. The responsibility for coordinating HUD activities under Executive Order 11625 has been assigned to the Office of Small and Disadvantaged Business Utilization within the Office of the Secretary.

The increase of 1 position for 1987 is related to the proposed new Fair Housing Initiatives Program (FHIP). The increase in staff-years is related to the workload associated with the Department's Desegregation Task Force.

The Desegregation Task Force was established in Headquarters in FY 1985 and in Regions IV and VI to coordinate the Department's response to the Decision and Order of the Federal District Court, Eastern District of Texas in the case of Lucille Young v. Secretary Pierce. That case alleged widespread discrimination in East Texas Public Housing and that the Secretary of HUD had participated in the discriminatory conduct by failing to affirmatively act to prevent discriminatory practices and by acquiescing in the alleged segregated housing system.

In FY 1985, HUD's Regional Management Plan required each Region to establish a Desegregation Task Force and to develop and implement a bold, new strategy of Public Housing and other HUD-assisted housing desegregation compliance activities based upon a careful assessment of past compliance reviews and public housing management and occupancy review findings. Simultaneously, Headquarters has directed the Field to undertake 83 compliance reviews of large Public Housing Authorities. These reviews beginning in FY 1986 will require major additional work in FY 1987. As PHA's are notified of findings, voluntary agreements will be negotiated to provide appropriate remedies and will be actively monitored by Field staff.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

The staff-years consist of the following:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	540.9	552.2	572.4
Temporary and Part-Time Employees	23.3	12.9	12.9
Overtime	1.2	0.7	0.7
Terminal Leave	1.4	1.3	1.8
Total Staff-Years	566.8	567.1	587.8

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The tables on the following page indicate the distribution of full-time permanent appointments and staff-years for the organizations within Fair Housing and Equal Opportunity and are followed by a discussion of the functions and staffing requirements for each of those organizations.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Assistant Secretary	11	13	9	9	...
Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance	5	4	6	6	...
Office of Fair Housing Enforcement and Section 3 Compliance	21	22	22	23	+1
Office of HUD Program Compliance	20	23	24	24	...
Office of Voluntary Compliance	13	16	11	11	...
Immediate Office of the Deputy Assistant Secretary for Operations and Management	8	10	8	8	...
Office of Management and Field Coordination	24	28	24	24	...
Office of Program Standards and Evaluation	16	16	16	16	...
Total Full-Time Permanent Appointments, End of Year	118	132	120	121	+1

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Assistant Secretary	11.7	13.5	9.1	9.1	...
Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance	5.3	4.4	6.4	6.4	...
Office of Fair Housing Enforcement and Section 3 Compliance	22.3	22.0	23.9	24.2	+.3
Office of HUD Program Compliance	21.3	23.5	25.7	25.3	-.4
Office of Voluntary Comnpliance	15.9	16.5	12.0	11.6	-.4
Immediate Office of the Deputy Assistant Secretary for Operations and Management	8.5	10.0	8.8	8.6	-.2
Office of Management and Field Coordination	25.8	29.5	25.8	25.4	-.4
Office of Program Standards and Evaluation	16.9	16.0	17.2	17.0	-.2
Total Staff-Years	127.7	135.4	128.9	127.6	-1.3

One additional position is proposed for 1987 to support the proposed new Fair Housing Initiatives Program.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

a. Immediate Office of the Assistant Secretary

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year........................	11	13	9	9	...
Staff-Years........................	11.7	13.5	9.1	9.1	...

The Assistant Secretary serves as the principal advisor to the Secretary and principal source of advice and technical assistance to other Assistant Secretaries and to the Regional Administrators on all matters relating to equal opportunity in housing and community development, facilities, employment, business opportunities, and other matters relating to civil rights. The Assistant Secetary also serves as the Director of Equal Employment Opportunity for the Department.

In addition, the Assistant Secretary, aided by the General Deputy Assistant Secretary, administers the Department's responsibility for fair housing and equal opportunity programs in connection with civil rights laws and executive orders established to protect individuals from discrimination based on race, color, sex, national origin, religion, age, or handicap; represents the Department on matters relating to the administration of equal opportunity programs with other government agencies and outside groups; is responsible for all activities relative to the conduct of administrative meetings and hearings pursuant to Title VIII, Executive Order 11063, Section 3, and contract provisions relating to equal employment opportunity; and is responsible for the review of initial decisions of Administrative Law Judges under Title VI and Section 109.

No additional staff is requested for 1987.

b. Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year........................	5	4	6	6	...
Staff-Years........................	5.3	4.4	6.4	6.4	...

The Deputy Assistant Secretary for Enforcement and Compliance has responsibility for the development, direction, and administration of programs which provide enforcement of civil rights statutes, executive orders and directives through complaint processing, compliance reviews, and voluntary compliance programs. Enforcement responsibilities are pursuant to the following statutes and executive orders: Title VIII of the Civil Rights Act of 1968, as amended; Section 109 of the Housing and Community Development Act of 1974, as amended; Section 3 of the Housing and Urban Development Act of 1968, as amended; Title VI of the Civil Rights Act of 1964; Executive Orders 11063, 11478, 11625, and 12259; Section 504 of the Rehabilitation Act of 1973; the Age Discrimination Act of 1975; and equal employment opportunity contract clauses. The Office of the Deputy Assistant Secretary includes the Office of Fair Housing Enforcement and Section 3 Compliance, the Office of HUD Program Compliance, and the Office of Voluntary Compliance.

No additional staff is required for 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

c. Office of Fair Housing Enforcement and Section 3 Compliance

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year......................	21	22	22	23	+1
Staff-Year..........................	22.3	22.0	23.9	24.2	+.3

This Office has responsibility for the enforcement and administration of the following fair housing and employment-related authorities: Title VIII of the Civil Rights Act of 1968, as amended; Executive Order 11063; and Section 3 of the Housing and Urban Development Act of 1968, as amended. These responsibilities are carried out primarily through a program of complaint receipts, investigations, resolutions, and compliance reviews. The Office consists of a Section 3 Coordinator and two divisions: the Division of Fair Housing Enforcement and the Division of Federal, State and Local Programs. The primary objective of the Office in 1987 is to continue implementation of the Department's comprehensive strategy to strengthen the fair housing enforcement program.

State and Local Agency Processing. The Federal, State and Local Program Division is responsible for assisting state and local agencies in developing and executing fair housing enforcement programs. Specifically, the Division is charged with: (1) improving the level of cooperation and coordination between HUD and other governmental agencies with fair housing enforcement responsibilities; and (2) administering the Fair Housing Assistance Program (FHAP). In carrying out these responsibilities, the Division implements the procedural and evaluative requirements relative to the granting of recognition under the Department's substantial equivalency regulation; implements Memoranda of Understanding affecting Title VIII enforcement responsibilities of other Federal agencies; and provides training and technical assistance to national, state, and local public and private fair housing agencies, housing industry groups, and other organizations subject to the provisions of the Federal Fair Housing Law.

HUD Processing of Title VIII Systemic Discrimination Complaints and Compliance Reviews. Systemic discrimination is discrimination which is pervasive, sophisticated, and institutionalized in nature. To attack systemic housing discrimination, specialized units have been established in all the regions with the specific responsibility of bringing the full authority of Title VIII to bear on systemic discrimination. A comparable function exists in Headquarters for the purposes of implementation assistance, monitoring, technical assistance, research, coordination, evaluation, identification of expert sources, preparation of case reports for referral to the Department of Justice, and tracking of referred cases.

The Systemic Discrimination Unit (SDU) personnel conduct legal analyses, handle complex reviews, analyze documents and statistical data, prepare statistical evaluations, prepare interrogatories, and develop Final Investigation Reports for Headquarters review and referral to the Department of Justice. Pursuant to the authorization contained in Section 808(e) of Title VIII, these units also "make studies with respect to the nature and extent of discriminatory housing practices in representative communities, urban, suburban and rural. . . ."

HUD Processing of Title VIII Complaints and Compliance Review Activities. Through its compliance review and complaint investigation activities, the Fair Housing Enforcement Division carries out its responsibilities with respect to monitoring complaint processing of State and local agencies and administering the Affirmative Fair Housing Marketing program and Executive Order 11063. With the promulgation of the Affirmative Fair Housing Marketing Handbook and an increasing complaint workload in this area, a more comprehensive approach to compliance review activities under these authorities will be implemented.

Fair Housing Initiatives Program. One additional position is requested to support the Fair Housing Initiatives Program in 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

d. Office of HUD Program Compliance

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year..........................	20	23	24	24	...
Staff-Years............................	21.3	23.5	25.7	25.3	-.4

The Office of HUD Program Compliance has the responsibility for the HUD internal equal employment opportunity program and for compliance activities in connection with recipients of Federal financial assistance. The Office is composed of two divisions: Division of Program Compliance and Division of Public Employment.

The Program Compliance Division carries out its responsibilities pursuant to: (1) Title VI of the Civil Rights Act of 1964; (2) Section 109 of the Housing and Community Development Act of 1974; (3) Section 504 of the Rehabilitation Act of 1973; (4) the Age Discrimination Act of 1975; and (5) the HUD contract clause prohibiting discrimination in employment.

The Program Compliance Division is principally responsible for developing compliance program operating standards, guidelines, and office procedures for field compliance. The Division conducts studies of program operation efficiency and effectiveness to support revisions of operating guidance; provides training to field compliance staff; evaluate Field program performance; and negotiates settlements in highly sensitive matters of compliance.

This Division also provides primary staff support to the Headquarters Desegregation Task Force by managing the compliance review process and reviewing Field investigations which must have Headquarters approval. In FY 1986, the Division will review 83 compliance investigations of large Public Housing Authorities. These investigations are required by Headquarters in the FY 1986 Regional Management Plan and represent an ambitious initiative to review our most difficult public housing situations.

In FY 1987, Headquarters will provide guidance on the appropriate remedies for the PHA's found in noncompliance with civil rights laws and will review and approve each compliance agreement. In addition, Headquarters will review compliance activities undertaken in Field Offices in response to the mandates of each Region to develop and implement a Desegregation Compliance Program.

New technical guidance and new investigatory approaches will be necessary to institutionalize program approaches growing from experience with the large-city reviews.

Rapid growth will also occur in the Section 504 program. Since 1978, when HUD began to receive and process Section 504 complaints, the level has increased steadily, even without a final HUD regulation. We expect an increase again in FY 1986, above the 207 complaints received in FY 1985 and a dramatic increase in FY 1987.

This increase will result from rapid growth in public awareness of the program and from the promulgation of a final Section 504 regulation. Across the country many non-profit and legal service organizations began training consumers on their rights to accessible housing and freedom from discrimination against the handicapped. As a result, in FY 1985, we received more requests for technical assistance or guidance than staff resources and travel funds could accommodate.

The Public Employment Division is responsible for compliance enforcement activities under Executive Order 11478, the Discrimination in Employment Act, as amended, and Equal Employment Opportunity Commission and Departmental regulations as they relate to enforcement of equal employment opportunity for HUD employees and applicants. In 1986, we will contract all of this activity out to other entities. Regional and Field Office staff have minimal responsibility for processing Executive Order 11478 employment discrimination complaints. The major processing and decisionmaking responsibility falls on the Headquarters FHEO staff. A major objective in 1986 is to evaluate the sufficiency of the Department's EEO program and submit a report to the Secretary with recommendations as to any improvements or corrections needed.

In 1987, the Program Compliance Division will continue to emphasize increased efficiency of field complaint processing, early complaint resolution, and selective enforcement of precedent setting cases.

No additional staff is requested for 1987.

e. Office of Voluntary Compliance

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year.....................	13	16	11	11	...
Staff-Years......................	15.9	16.5	12.0	11.6	-.4

The Office of Voluntary Compliance operates under the authority of Section 808(e) and Section 809 of Title VIII of the Civil Rights Act of 1968, as amended; Executive Order 11625; and Section 8(a) of the Small Business Act. The Office is currently composed of one division: the Division of Housing and Community Development. The Division of Business Development which is responsible for the Minority Business Enterprise (MBE) Program was transferred from Fair Housing and Equal Opportunity (FHEO) to the Office of Small and Disadvantaged Business Utilization (OSDBU) effective October 13, 1985. The Office of Voluntary Compliance has responsibility to extend the range of fair housing and equal opportunity activities beyond the areas of law enforcement and compliance by promoting and supporting institutional changes designed to secure voluntary compliance. Voluntary program activity is targeted to include the housing industry, state and local governments, and community organizations.

Under the direction and guidance of the Housing and Community Development Division, the development of community support to encourage and monitor industry participation is initiated by FHEO through its organization of Community Housing Resource Boards (CHRBs). CHRBs consist of representatives from influential organizations throughout a metropolitan area who have an interest in fair housing and equal opportunity. These CHRBs meet regularly with housing group signatories to encourage, assist, and ensure implementation of the Voluntary Affirmative Marketing Agreement's provisions.

Voluntary Affirmative Marketing Agreements are mechanisms to expand working relationships with the national trade associations of housing industry groups. Each agreement is designed to carry out a HUD fair housing and equal opportunity program, such as outreach advertising, affirmative employment, and safeguards against racial steering--all designed to ensure that housing will be marketed on an equal opportunity basis. The national association party enters into an Agreement and then recommends its adoption by member affiliates on a state and local level.

Program activity in 1986 and 1987 is being directed towards the development of resources to sustain those CHRBs which have been organized and to promote their continuing expansion. The development of effective tools for evaluation and monitoring of CHRBs to ensure the integrity of the program has also been emphasized. Agreements with national housing industry groups which appear to be ineffectual are to be evaluated in order to assess the efficacy of continuing those agreements in 1986.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

The decrease of 4 positions in 1986 is directly related to the transfer of the MBE Program from Fair Housing and Equal Opportunity to the Office of Small and Disadvantage Business Utilization.

No additional staff is required for 1987.

f. Immediate Office of the Deputy Assistant Secretary for Operations and Management

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	8	10	8	8	...
Staff-Years	8.5	10.0	8.8	8.6	-.2

The Deputy Assistant Secretary for Operations and Management has responsibility for the development, direction, and supervision of programs designed to facilitate the administration of the Office of Fair Housing and Equal Opportunity. This responsibility includes the following activities: development of short-range and long-range strategies and research programs; utilization of resources to achieve equal opportunity goals; evaluation of the effectiveness of Headquarters and field offices in meeting program requirements and delivering services to minorities, women, and low-income persons; development and supervision of systems for management controls and information; training, staff allocation, and resource utilization; provision of technical assistance and policy guidance to field organizations; and performance of technical and management evaluations of field components. The Office of the Deputy Assistant Secretary includes the Office of Management and Field Coordination and the Office of Program Standards and Evaluation.

g. Office of Management and Field Coordination

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointment, End of Year	24	28	24	24	...
Staff-Years	25.8	29.5	25.8	25.4	-.4

The Office of Management and Field Coordination has responsibility for all administrative and management services required for operating fair housing and equal opportunity programs at the Headquarters and Field levels. The Office is composed of two divisions: the Division of Management Systems and Services and the Division of Field Support and Evaluation.

The Management Systems and Services Division is responsible for budgetary planning, preparation, and control; development and maintenance of management information and control systems; issuances and correspondence control; and provision of administrative support services; the monitoring of workload accomplishments, expenditures of funds, and the maintenance and evaluation of data produced by eight automated data systems are also carried out by this staff.

The Field Support and Evaluation Division is responsible for providing technical assistance and support to Regional and Field Offices within assigned jurisdictions and serves as the primary point of contact between the Assistant Secretary for Fair Housing and Equal Opportunity and the field offices. Field management responsibility is carried out through a program which includes monitoring and evaluation of field staff utilization, training and development and implementation of Field management systems.

No additional staff is requested for 1987.

h. Office of Program Standards and Evaluation

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year....................	16	16	16	16	...
Staff-Years......................	16.9	16.0	17.2	17.0	-.2

This Office has responsibility for developing and evaluating the effectiveness of specific policies, program performance standards, and requirements that implement the broadly stated mandates and protections of the civil rights statutes, executive orders, and civil rights requirements contained in other authorizing statutes applicable to HUD programs of housing and community development. The Office includes two divisions: the Division of Program Standards and the Division of Program Evaluation. The Division of Program Standards is responsible for reviewing all regulations, handbooks, notices, and other issuances relating to the administration of HUD programs and recommending appropriate provisions, to implement applicable civil rights laws and Executive Orders.

In addition, this Division, in cooperation with the staffs of the Offices of Housing and Community Planning and Development, designs equal opportunity performance standards for recipients of HUD programs and guidelines to be followed by FHEO field staff in the review of civil rights certifications submitted by prospective grantees and monitoring of recipient performance. This work assists the Department in implementing the Department of Justice's Title VI regulations calling for a "pre-approval" review to determine whether HUD programs of financial assistance are planned in a manner consistent with the equitable treatment provisions of this statute.

The Program Evaluation Division serves as the central point for the development of comprehensive strategies to accomplish FHEO program objectives; provides evaluation assistance to ongoing programs; strengthens data analysis capabilities in FHEO; and provides feedback to management on needed improvements in policy, programs, and procedures. This Division provides performance indicators on the procedures being followed by FHEO in carrying out its mandate and on the relative effectiveness of FHEO programs in changing practices that restrict or deny housing opportunities for persons protected by civil rights laws.

2. FIELD EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Offices.................	292	317	307	307	...
Field Offices....................	130	125	125	125	...
Total........................	422	442	432	432	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Offices.................	303.8	335.4	311.4	327.0	+15.6
Field Offices....................	135.3	124.[illegible]	126.8	133.2	+6.4
Total........................	439.1	460.3	438.2	460.2	+22.0

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

The principal workload for Field staff consists of complaint processing, compliance reviews, monitoring, application reviews, technical assistance and the support of voluntary compliance efforts. Such activities are undertaken as they relate to the delivery of the Department's Housing and Community Planning and Development programs, as well as to activities in the private sector and other government units.

The Department has developed and implemented a productivity-based system for developing field staff requirements, the Resource Allocation Guidelines System (RAGS).

The following tables are based on this system and indicate for 1986 and 1987 units of production for FHEO staff which have been identified for use in this activity, the estimated hours required for each unit and the resulting staff-year requirement.

FAIR HOUSING AND EQUAL OPPORTUNITY

1985 ACTUAL

RESOURCE ALLOCATION GUIDELINES	PROJECTED ACCOMPLISHMENTS	PROJECTED UNIT COST	STAFF-YEARS
FAIR HOUSING ENFORCEMENT:			
Complainants Assisted (Cases Closed)....................	4,112	72.7	143.2
HUD PROGRAM COMPLIANCE:			
Compliance Reviews (Title VI/Section 109)..............	141	670.8	45.3
Complainants Assisted (Cases Closed)....................	74	907.8	32.2
FIELD OPERATIONS:			
Voluntary Compliance Organizations Serviced (CHRBs)......	916	55.0	24.1
Agreements Serviced (Organizations).	3,932	10.8	20.4
CDBG Entitlement and HUD-Administered Program (Review and Monitoring).................	2,132	64.0	65.3
State Administered CDBG Program (Review and Monitoring)...................	16	941.7	7.2
UDAG Program (Review and Monitoring).....................	3,109	22.7	33.8
Housing Programs Review (EHOP, AFHMP, Sec. 202, PHA, RRP, and HDG)......................	9,810	5.6	26.4
Housing Programs Monitoring (EHOP, AFHMP, Sec. 202, PHA, RRP and HDG)............	3,982	21.6	41.2
Total..............	NA	NA	439.1

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

FAIR HOUSING AND EQUAL OPPORTUNITY

1986 ESTIMATES

RESOURCE ALLOCATION GUIDELINES	PROJECTED ACCOMPLISHMENTS	PROJECTED UNIT COST	STAFF-YEARS
Fair Housing Enforcement:			
Complainants Assisted	4,850	54.0	125.5
Agencies Serviced	740	76.7	27.2
Subtotal	NA	NA	152.7
HUD Program Compliance:			
Agencies Assisted	83	890.8	35.4
Communities Assisted	50	782.1	18.7
Complainants Assisted	350	127.2	21.3
Subtotal	NA	NA	75.4
FIELD OPERATIONS:			
Voluntary Compliance			
Organizations: Initiated	533	30.5	7.8
Organizations: Training/TA	1,024	22.1	10.8
Organizations: Monitoring/Eval	8,149	5.1	19.9
Subtotal	NA	NA	38.5
CPD Programs:			
CDBG Entitlement & State/HUD Adm. GPR/PAR Review, Monitoring	3,030	32.8	47.6
UDAG			
Monitoring	572	100.4	27.5
Subtotal	NA	NA	75.1
Housing Programs:			
PHA Monitoring, Sec. 8/Voucher/Moderate Rehab	1,350	34.6	22.4
PHA Monitoring - LIPH	921	36.2	16.0
Sec. 202 APP. RVW HODAG APP. RVW, RRP & other assisted and insured program reviews	7,290	12.0	42.0
AFHM Monitoring	1,455	23.1	16.1
Subtotal	NA	NA	96.5
Total	NA	NA	438.2

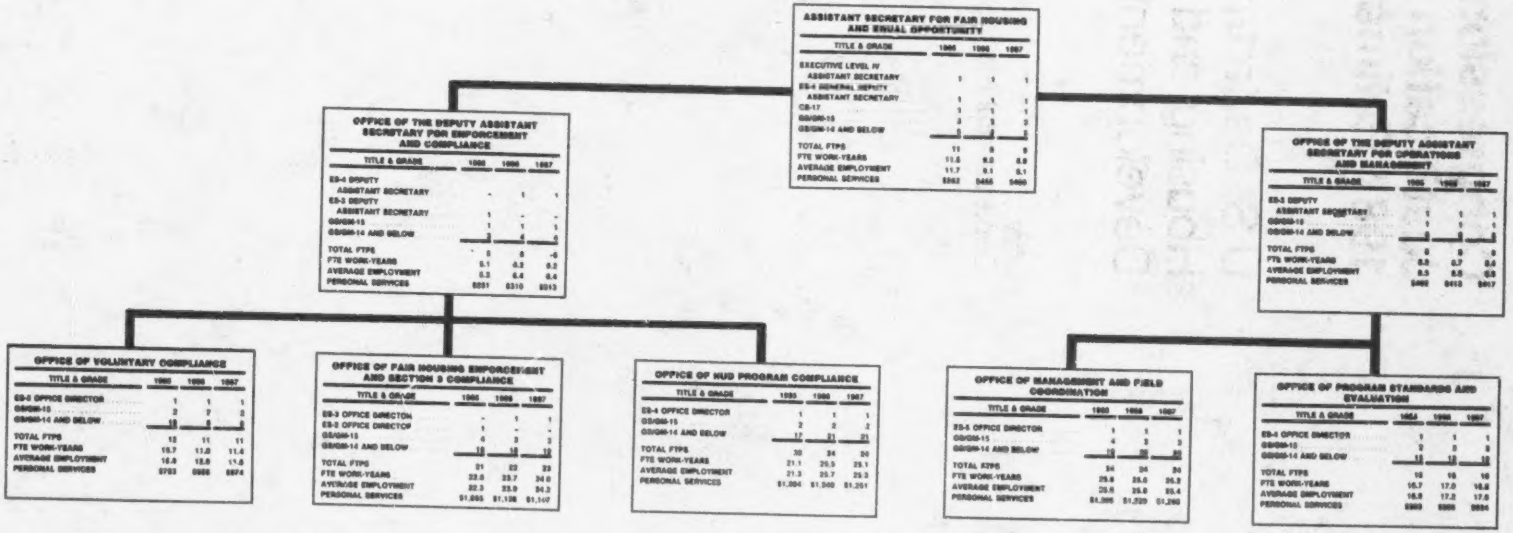
Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Fair Housing and Equal Opportunity

FAIR HOUSING AND EQUAL OPPORTUNITY

1987 ESTIMATES

RESOURCE ALLOCATION GUIDELINES	PROJECTED ACCOMPLISHMENTS	PROJECTED UNIT COST	STAFF-YEARS
Fair Housing Enforcement:			
Complainants Assisted............	5,100	53.8	131.4
Agencies Serviced................	740	80.3	28.5
Subtotal........................	NA	NA	159.9
HUD Program Compliance:			
Agencies Assisted................	83	935.4	37.2
Communities Assisted.............	50	820.4	19.6
Complainants Assisted............	350	133.9	22.4
Subtotal........................	NA	NA	79.2
FIELD OPERATIONS:			
Voluntary Compliance			
Organizations: Initiated........	540	31.8	8.2
Organizations: Training/TA......	1,050	22.6	11.4
Organizations: Monitoring/Eval..	8,150	5.4	21.1
Subtotal........................	NA	NA	40.7
CPD Programs:			
CDBG Entitle. & State/HUD Adm. GPR/PAR Review, Monitoring.....	3,030	34.6	50.2
UDAG Program:			
Monitoring.......................	572	105.6	28.9
Subtotal........................	NA	NA	79.1
Housing Programs:			
PHA Monitoring, Sec. 8/Voucher/Moderate Rehab.........................	1,350	36.3	23.5
PHA Monitoring - LIPH............	921	38.0	16.8
Sec. 202 APP. RVW HODAG APP. RVW, RRP & other assisted and insured program reviews...	7,290	12.6	44.0
AFHM Monitoring..................	1,455	24.4	17.0
Subtotal........................	NA	NA	101.3
Total........................	NA	NA	460.2

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-4 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
CS-17	1	1	1
GS/GM-15	3	1	2
GS/GM-14 AND BELOW	5	4	3
TOTAL FTPS	11	8	8
FTE WORK-YEARS	11.5	8.0	8.0
AVERAGE EMPLOYMENT	11.7	8.1	8.1
PERSONAL SERVICES	$562	$466	$460

OFFICE OF THE DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT AND COMPLIANCE

TITLE & GRADE	1985	1986	1987
ES-4 DEPUTY ASSISTANT SECRETARY	-	1	1
ES-3 DEPUTY ASSISTANT SECRETARY	1	-	-
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	3	4	4
TOTAL FTPS	5	6	6
FTE WORK-YEARS	5.1	6.2	6.2
AVERAGE EMPLOYMENT	5.3	6.4	6.4
PERSONAL SERVICES	$281	$310	$313

OFFICE OF THE DEPUTY ASSISTANT SECRETARY FOR OPERATIONS AND MANAGEMENT

TITLE & GRADE	1985	1986	1987
ES-3 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	6	6	6
TOTAL FTPS	8	8	8
FTE WORK-YEARS	8.0	8.7	8.4
AVERAGE EMPLOYMENT	8.3	8.8	8.8
PERSONAL SERVICES	$402	$413	$417

OFFICE OF VOLUNTARY COMPLIANCE

TITLE & GRADE	1985	1986	1987
ES-5 OFFICE DIRECTOR	1	1	1
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	13	8	8
TOTAL FTPS	16	11	11
FTE WORK-YEARS	15.7	11.8	11.4
AVERAGE EMPLOYMENT	15.8	12.0	11.6
PERSONAL SERVICES	$763	$666	$674

OFFICE OF FAIR HOUSING ENFORCEMENT AND SECTION 3 COMPLIANCE

TITLE & GRADE	1985	1986	1987
ES-3 OFFICE DIRECTOR	-	1	1
ES-2 OFFICE DIRECTOR	1	-	-
GS/GM-15	4	3	3
GS/GM-14 AND BELOW	16	18	19
TOTAL FTPS	21	22	23
FTE WORK-YEARS	22.0	23.7	24.0
AVERAGE EMPLOYMENT	22.3	23.0	24.2
PERSONAL SERVICES	$1,066	$1,138	$1,147

OFFICE OF HUD PROGRAM COMPLIANCE

TITLE & GRADE	1985	1986	1987
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	17	21	21
TOTAL FTPS	20	24	24
FTE WORK-YEARS	21.1	25.5	25.1
AVERAGE EMPLOYMENT	21.3	25.7	25.3
PERSONAL SERVICES	$1,204	$1,340	$1,251

OFFICE OF MANAGEMENT AND FIELD COORDINATION

TITLE & GRADE	1985	1986	1987
ES-5 OFFICE DIRECTOR	1	1	1
GS/GM-15	4	3	3
GS/GM-14 AND BELOW	19	20	20
TOTAL FTPS	24	24	24
FTE WORK-YEARS	25.6	25.0	25.2
AVERAGE EMPLOYMENT	25.5	25.0	25.4
PERSONAL SERVICES	$1,205	$1,220	$1,260

OFFICE OF PROGRAM STANDARDS AND EVALUATION

TITLE & GRADE	1985	1986	1987
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	11	12	12
TOTAL FTPS	15	16	16
FTE WORK-YEARS	15.7	17.0	16.8
AVERAGE EMPLOYMENT	15.5	17.2	17.0
PERSONAL SERVICES	$803	$866	$884

SUMMARY
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

TITLE & GRADE	1985			1986			1987		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
EXECUTIVE LEVEL IV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ES-5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ES-4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ES-3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ES-2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CS-17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GS/GM-15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GS/GM-14 AND BELOW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TOTAL FTPS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTE WORK-YEARS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AVERAGE EMPLOYMENT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PERSONAL SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIELD OFFICES

TITLE & GRADE	1985	1986	1987
GS/GM-15	0	0	3
GS/GM-14 AND BELOW	413	433	433
TOTAL FTPS	413	433	436
FTE WORK-YEARS	404.8	406.2	406.8
AVERAGE EMPLOYMENT	478.1	403.2	403.2
PERSONAL SERVICES	$16,484	$16,587	$17,033

Congressional Justification for 1987 Estimates

March 1986

U.S. Department of Housing and Urban Development

Part 3

Departmental Management

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL MANAGEMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 8: DEPARTMENTAL MANAGEMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Total Budget Activity..................	$8,969	$8,768	$8,556	$9,119	+$563
Full-Time Permanent Appointments, End of Year...........................	132	136	136	130	-6
Full-Time Equivalents..................	145.8	146.4	140.3	141.4	+1.1
Staff-Years............................	148.7	149.6	142.4	143.6	+1.2

SUMMARY OF BUDGET REQUEST

The 1987 request is for $9,119 thousand and 130 positions; an increase of $563 thousand and a decrease of six positions.

The funding increase is largely for items deferred during 1986 due to pending reductions mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings); principally for minority business and public affairs activities. The decrease of six positions in 1987 is consistent with reductions in overall Departmental program and staffing levels.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Personal Services	$6,725	$6,508	$6,514	$6,722	+$208
Travel and Transportation of Persons	318	370	385	410	+25
Transportation of Things	3	13	3	3	...
Rent, Communications and Utilities	261	222	316	283	-33
Printing and Reproduction	417	387	333	431	+98
Other Services	1,153	1,155	911	1,171	+260
Contracts	(467)	(275)	(317)	(515)	(+198)
ADP Services	(349)	(457)	(242)	(291)	(+49)
Supplies and Materials	56	83	60	68	+8
Equipment	36	30	34	31	-3
Total	8,969	8,768	8,556	9,119	+563

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $8,969 thousand are $71 thousand above the previous estimate of $8,898 thousand because of various minor differences in costs from the original estimates.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$8,768
Add amendment to restore proposed five percent pay reduction	+297
Add the cost of functional transfer	+182
Deduct cost of general repricing	-328
Deduct mandated funding reduction	-363
Current 1986 estimate	8,556

The changes to the funding requirements for 1986 are the result of the following:

-- A decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $297 thousand;

-- The transfer of certain responsibilities for minority business affairs from the Office of Fair Housing and Equal Opportunity to this activity requires an increase of four positions and $182 thousand;

-- A reassessment of funding needs based on more recent cost and requirement data results in a reduction of $328 thousand. The decrease is principally due to reduced average salary cost and a reestimate of automated data processing development requirements; and

-- This activity's share of a $25.7 million decrease to the Salaries and Expenses, HUD account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $363 thousand.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$8,969	$8,556
Changes to terminal leave and severance pay	-13	+39
Changes to personal services costs due to changes in average employment	-285	+54
Changes to personal services costs due to changes in average cost per staff year	+87	+115
Changes in printing costs	-84	+98
Changes in the cost of training non-federal personnel	...	+115
Changes in public information control services	-121	+88
Changes to all other costs	+3	+54
Total obligations	8,556	9,119

There is a net decrease in personal services costs of $211 thousand in 1986 and a net increase of $208 thousand in 1987. They reflect the following:

-- anticipated changes to terminal leave and severance pay are expected to result in a decrease of $13 thousand in 1986 and an increase of $39 thousand during 1987;

-- it is estimated that a decrease of 6.3 staff years in 1986 will reduce obligations $285 thousand and an increase of 1.2 staff-years in 1987 will require an increase of $54 thousand; and

-- changes to the average cost per staff year due to promotions, within-grade increases and changes to the relative mix of permanent full-time, part-time and temporary staff are expected to result in increases of $87 thousand in 1986 and $115 thousand during 1987.

There is a net decrease of $202 thousand in non-personal services costs in 1986 and an increase of $355 thousand during 1987. This is due to:

-- The printing and dissemination of materials explaining the Department's programs to clients and the general public has been reduced during 1986 due to funding constraints resulting from the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). This results in a reduction in printing costs of $84 thousand in 1986 and an increase of $98 thousand in 1987;

-- During 1986 the responsibility for assisting minority businesses was transferred to this activity from the Assistant Secretary for Fair Housing and Equal Opportunity. This responsibility is met, in part, by providing training to minority business entrepreneurs on means for participating in HUD and other federal government programs. Contractual assistance is used to conduct such training, but due to funding constraints the expansion of such support was delayed until 1987. As a result there is an increase of $115 thousand for this purpose in 1987;

-- The funding constraints imposed in 1986 result in a reduction of $121 thousand for contractual support for public information activities which is partially restored with an increase of $88 thousand in 1987; and

-- Changes for all other items result in net increases of $3 thousand in 1986 and $54 thousand during 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

4. CONTRACTS

The following table identifies the specific contracts unique to this activity and is followed by a brief description of each of them.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Data and Statistical Services					
Office of the Special Assistant to the Secretary for Indian and Alaska Native Programs:					
Data Gathering for Indian and Alaska Native Housing........................	$25	$15	$25	$25	...
Subtotal..............................	25	15	25	25	...
Training Support--Non-Federal Employees					
Office of Small and Disadvantaged Business Utilization:					
Minority Business Conference/ Action Outreach to Women-Owned Business..............................	35	...	35	150	+$115
Subtotal..............................	35	...	35	150	+115
Management Studies					
Office of the Secretary:					
Evaluate Office of Finance and Accounting................	91	...	...	...	...
Subtotal..............................	91	...	...	...	...
Technical Services					
Office of International Affairs:					
Translation Services...................	30	30	30	30	...
Interpreter Services...................	27	...	75	70	-5
Bilateral Support......................	...	...	15	15	...
Subtotal..............................	57	30	120	115	-5
Office of Public Affairs:					
News Media Transcripts and Video Tapes.	23	0	22	22	...
Subtotal..............................	23	0	22	22	...
Total.................................	80	30	142	137	-5
Public Information Services					
Office of Public Affairs:					
News Delivery Services.................	15	15	15	15	...
Communication Support Services.........	221	215	100	188	+88
Subtotal..............................	236	230	115	203	+88
Total.................................	467	275	317	515	+198

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

a. Data Gathering for Indian and Alaska Native Housing............. $25 Thousand

This contract provides for outside assistance in obtaining architectural, engineering or related studies of cost-efficient Indian housing suitable for Indian reservations.

b. Training Support--Non-Federal Employees.......................... $150 Thousand

These funds provide for contract services to the Office of Small and Disadvantaged Business Utilization (OSDBU) to:

(1) design and disseminate several alternative business development approaches with partiularity suited to increasing women-owned business participation in HUD's program and procurement opportunities, and

(2) design and implement a conference for minority businesses and major corporations to examine ways to exchange information on increased minority-major business partnerships.

c. Translation Services.. $30 Thousand

In order to implement and carry out activities under existing bilateral exchange programs, it is necessary to translate foreign language documents on housing finance and other urban policy issues. As the Office of International Affairs has a small staff, all translations, an exacting and time-consuming service, are handled by contract. There is a particular need for translations of Chinese, Spanish, Russian, and German documents.

d. Interpreter Services.. $70 Thousand

Under an interagency agreement, the Department of State provides interpreter services for activities under the Department's current bilateral exchange programs. Interpreters who are proficient in the Russian, Chinese, Spanish, French, and other languages, knowledgeable in housing and construction terminology, and familiar with protocol procedures and requirements are requested from the Department of State under this reimbursable arrangement. The expansion of the Soviet and Chinese exchange programs will require the requested increased levels of funding for fiscal years 1986 and 1987.

e. Bilateral Support Services...................................... $15 Thousand

These funds are for contracts ranging from $5 to $9 thousand and are required to obtain the services of technical experts for particular meetings or seminars (e.g. bilingual architects and engineers in Russian and Chinese languages) in support of bilateral exchange programs. Assistance is provided in developing conference data, briefing papers for HUD senior officials traveling abroad as part of international exchange programs, and the critical assessments of foreign studies.

f. News Media Transcripts & Video Tapes............................ $22 Thousand

There is a continuing need to retrieve transcripts of television and radio programming concerning issues which have impact on the Department. Tapes of such programming are made available to HUD program offices, and to field offices, in order that Departmental staff may have access to the information. Other services include electronic retrieval and transfer of the most current information related to the Department's mission.

g. News Delivery Services.. $15 Thousand

This contract provides for the distribution of news materials--principally news releases--to media outlets within the Washington, D.C. area.

h. Communication Support Services.................................. $188 Thousand

These funds provide for the development and display of exhibits, as well as printed materials, to support the public communication needs of the Department and are administered by the Office of Public Affairs in consultation with program offices. The objective is to coordinate Departmental communication efforts for consistency with HUD goals and priorities, to ensure that all communication efforts conform to high professional standards, and to ensure that the vehicles produced reach their intended audiences with relevant and useful information.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Departmental Management activity includes the Office of the Secretary and Under Secretary and other staff offices under the Secretary's immediate direction. The responsibilities of the Department are administered under the supervision and direction of the Secretary, who is responsible for the administration of all programs, functions, and authorities of the Department. The Under Secretary assists the Secretary in the discharge of his duties and responsibilities and serves as Acting Secretary in the absence of the Secretary.

2. WORKLOAD

The principal workload of the Departmental Management activity is to directly support the Secretary in carrying out his responsibilities to the President and the Congress for the leadership of the Department of Housing and Urban Development. The offices undertake special innovative projects and provide the Secretary with in-depth analysis and review of a broad range of issues which cut across the Department. The structure of this activity reflects the Secretary's judgment of those areas he desires for special emphasis and focus in meeting those responsibilities, as well as the most effective method of coordinating the staff functions involved from an overall Departmental perspective. This activity includes eleven small offices of highly specialized staff with department-wide responsibility for coordination of field operating policies and procedures; intergovernmental relations; Indian and Alaska native program coordination; participation of small and disadvantaged businesses in the contracting activities of the Department; labor relations matters; international affairs; public affairs; legislation and Congressional relations; and administrative judicial proceedings. Collectively and separately, these offices are essential to the independent formulation and review of Departmental policy and the promotion and interpretation of that policy.

Although there were no major organizational changes to this activity, the consolidation of the Business Development Division in the Office of Fair Housing and Equal Opportunity with the Office of Small and Disadvantaged Business Utilization (OSDBU) has been accomplished since the submission of the 1986 budget estimate. This consolidation of Minority Business Enterprise (MBE) Program functions under the OSDBU will provide for more effective coordination of MBE activities within the Department and enhance management efficiency in carrying out the Secretary's priorities and objectives relative to the participation of socially and economically disadvantaged groups in HUD procurement and program activities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel for the Departmental Management activity are assigned to Headquarters. The summary requirements are as follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year......................	132	136	136	130	-6
Staff-Years......................	148.7	149.6	142.4	143.6	+1.2

The approved staff level for 1985 was 140 positions and the actual level of 132 reflects positions which were unfilled at that time.

The 1986 current estimate reflects the transfer of four positions to the Office of Small and Disadvantaged Business Utilization (OSDBU) due to the consolidation of Minority Business Enterprise (MBE) Program functions offset by the reduction of four positions associated with the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

The staffing decrease of six positions in 1987 is consistent with overall Departmental program and staffing reductions and reflects the Government-wide efforts to reduce Federal staff and administrative costs.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel......................	133.0	133.6	134.7
Temporary and Part-Time Employees..................	13.5	7.2	7.2
Overtime...	1.7	1.1	1.1
Terminal Leave.....................................	0.5	0.5	0.6
Total Staff-Years..................................	148.7	142.4	143.6

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables show the distribution of full-time permanent appointments and staff-years for the organizations within Departmental Management and are followed by a brief discussion of the functions and staffing requirements for each of those organizations.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Secretary/ Under Secretary..........................	24	26	26	26	...
Deputy Under Secretary for Field Coordination...........................	13	13	13	13	...
Deputy Under Secretary for Intergovernmental Relations............	15	13	11	9	-2
Special Assistant for Indian and Alaska Native Programs.........................	2	2	2	2	...
Small and Disadvantaged Business Utilization............................	5	5	9	9	...
Labor Relations..........................	7	8	8	8	...
International Affairs....................	4	4	4	4	...
Public Affairs..........................	28	29	28	26	-2
Legislation and Congressional Relations.	27	29	28	26	-2
Administrative Law Judge................	2	2	2	2	...
HUD Board of Contract Appeals...........	5	5	5	5	...
Total Full-Time Permanent Appointments, End of Year..........................	132	136	136	130	-6

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Secretary/ Under Secretary..........................	28.0	28.3	26.8	28.8	+2.0
Deputy Under Secretary for Field Coordination...........................	14.4	14.2	14.0	14.0	...
Deputy Under Secretary for Intergovernmental Relations............	16.3	15.0	14.5	10.5	-4.0
Special Assistant for Indian and Alaska Native Programs.........................	2.1	2.1	2.1	2.1	...
Small and Disadvantaged Business Utilization............................	4.9	5.2	6.2	9.4	+3.2
Labor Relations..........................	7.8	8.5	7.5	8.5	+1.0
International Affairs....................	5.8	5.5	5.5	5.5	...
Public Affairs..........................	31.1	32.0	29.3	29.3	...
Legislation and Congressional Relations.	30.1	30.5	28.3	27.3	-1.0
Administrative Law Judge................	2.7	2.6	2.6	2.6	...
HUD Board of Contract Appeals...........	5.5	5.7	5.6	5.6	...
Total Staff-Years......................	148.7	149.6	142.4	143.6	+1.2

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

1. Immediate Office of the Secretary and Under Secretary

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year............................	24	26	26	26	...
Staff-Years............................	28.0	28.3	26.8	28.8	+2.0

No additional staff is requested for 1987.

The Secretary, as head of the Department and as a Cabinet Member, is responsible for the administration of all programs, functions, and authorities of the Department; for the regulation of the Federal National Mortgage Association; and for advising the President on Federal policy, programs, and activities relating to housing and community development.

The Secretary formulates recommendations for basic policies in the field of housing and community development for purposes such as the legislative program, the State of the Union Message, and the President's Budget, and works with the Executive Office of the President and with other Federal agencies in keeping economic and fiscal policies in housing and community development consistent with other economic and fiscal policies of the Government.

The Secretary meets with governors and other state officials, county executives and other local officials, and regional and neighborhood leaders, and assists the President in achieving maximum coordination among the various Federal activities which have a major effect upon urban, suburban, metropolitan, or rural housing and community development. The Secretary also meets with and interprets Government housing programs to organizations and officials representing builders, lenders and other members of the housing industry, local government officials, labor and minority groups, and social service organizations.

The Under Secretary assists the Secretary in the performance of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary.

2. Office of the Deputy Under Secretary for Field Coordination

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year............................	13	13	13	13	...
Staff-Years............................	14.4	14.2	14.0	14.0	...

No additional staff is requested for 1987.

The Office of the Deputy Under Secretary for Field Coordination advises the Secretary, Under Secretary, and other principal staff of the Department on the adequacy and effectiveness of Regional and Field operating policies and procedures, and is the Secretary's principal management official in all matters dealing with the field offices of the Department. The Office serves as the focal point of communication between the Regional and Field Offices and the Secretary/Under Secretary; oversees and manages the Department's Field Management Performance Evaluation System; serves as the focal point for interagency regulations when related to Field activities, and coordinates the recruitment of key personnel in both Regional and Field Offices. Other functions include:

a. participating in organization, structure, and executive level staffing decisions as they relate to improved operations of the Regional and Field Offices;

b. reviewing all adverse actions taken by Field managers and serving as the deciding official in all adverse actions proposed by Regional Administrators;

c. monitoring and coordinating Field operating policies as they pertain to the Management Plan process;

d. managing the Audits Management System (Field portion), ensuring its continued effectiveness and providing follow-up on closed audit findings to ensure that proposed benefits to the Department are realized;

e. conducting special projects/analyses as needed when cross-program problems surface in the Field;

f. identifying program or procedural problems in the Field and initiating corrective measures which may be required to improve the delivery of Departmental services and products;

g. managing the Field Direction and Operational Support budget account;

h. reviewing and analyzing comments from Regional and Field Offices on proposed regulations and issuances;

i. serving as rating and/or reviewing official under the Performance Appraisal System for key field positions;

j. coordinating Headquarters-directed meetings of Field staff;

k. approving all Headquarters-directed travel of Field personnel;

l. approving all inter-regional travel performed by Field staff; and

m. reviewing training-related travel by Field personnel to insure that training resources are being effectively utilized by Field managers.

3. Office of the Deputy Under Secretary for Intergovernmental Relations

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	15	13	11	9	-2
Staff-Years	16.3	15.0	14.5	10.5	-4.0

No additional staff is requested for 1987.

The reduction of two positions in 1987 is consistent with overall Departmental program and staffing reductions.

The Office of the Deputy Under Secretary for Intergovernmental Relations was established by the Secretary in 1981 and is responsible for coordinating all intergovernmental activities of the Department to ensure consistent policy formulation and implementation. The Deputy Under Secretary for Intergovernmental Relations serves as the principal point of contact with state and local governments and public and private interest groups on Departmental intergovernmental policy. The Deputy Under Secretary also maintains an advocacy role with Assistant Secretaries regarding state and local government needs and concerns, and advises the Secretary in the development of Departmental urban and regional strategies and national urban policy as they affect state and local governments. In addition, this Office serves as the focal point for coordination of Departmental plans, policies, and strategies for grant, research, and demonstration programs directed towards intergovernmental activities and governmental capacity building for state and local governments. The Office serves as the Department's central coordinating point for various other functions, such as women's programs, elderly and handicapped activities, Hispanic programs, Black outreach, and responsibilities associated with the disabled. In addition to the forementioned responsibilities, the Office handled over 2,500 casework requests in FY 1985, and expects casework to increase by twenty percent in FY 1986 and by ten percent in FY 1987.

4. Special Assistant to the Secretary for Indian and Alaska Native Programs

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year...............................	2	2	2	2	...
Staff-Years...............................	2.1	2.1	2.1	2.1	...

No additional staff is requested for 1987.

The Office of the Special Assistant for Indian and Alaska Native Programs was established in 1978 pursuant to the provisions of the Housing and Community Development Act of 1977 which states: "There shall be in the Department a Special Assistant for Indian and Alaska Native Programs who shall be responsible for coordinating all programs of the Department relating to Indian and Alaska Native housing and community development." The Office serves as principal advisor to the Secretary and other Departmental officials on current activities, problems, and needs of Indians and Alaska natives and ensures that their housing and community development concerns are addressed in HUD policy and program decisions. The Office assists in developing an overall Departmental policy statement clarifying HUD's commitment to improve delivery of programs to Indians and Alaska natives. The Office prepares for the Secretary periodic reports to the Congress regarding progress toward the objectives of the legislation.

5. Office of Small and Disadvantaged Business Utilization

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year...............................	5	5	9	9	...
Staff-Years...............................	4.9	5.2	6.2	9.4	+3.2

No additional staff is requested for 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: Departmental Management

The difference between the 1986 budget estimate and the current estimate is the result of the transfer and consolidation of Minority Business Enterprise (MBE) Program functions from the Office of Fair Housing and Equal Opportunity to the Office of Small and Disadvantaged Business Utilization (OSDBU) to provide for more effective coordination of MBE activities within the Department. This consolidation will enhance management efficiency in carrying out the Secretary's priorities and objectives relative to the participation of socially and economically disadvantaged groups in HUD procurement and program activities.

6. Office of the Assistant to the Secretary for Labor Relations

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year..............................	7	8	8	8	...
Staff-Years..............................	7.8	8.5	7.5	8.5	+1.0

No additional staff is requested for 1987.

The Assistant to the Secretary for Labor Relations serves as principal policy advisor and consultant to the Secretary on labor relations matters, labor standards enforcement, and organized labor--particularly the building and construction trades.

The Office ensures, through a Labor Relations Field staff, the efficient administration and enforcement of labor standards in statutory and contract provisions in HUD-assisted construction. Accordingly, it acts as principal liaison with the Department of Labor (DOL) on labor standards enforcement matters. The Office also administers a Field-based Davis-Bacon residential wage survey system as an assist to DOL which is designed to bring greater accuracy to wage determinations on HUD projects. The Office is responsible for administration of a wage rate determination system for maintenance employees of low-rent public and Indian housing authorities. The Office also develops program initiatives in the employment and training of the disadvantaged in HUD construction and maintenance in furtherance of various legislative mandates. Finally, the Office seeks affirmative relationships with and support from contractor organizations and organized labor for the housing and community development goals of the Department.

7. Office of the Assistant to the Secretary for International Affairs

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year..............................	4	4	4	4	...
Staff-Years..............................	5.8	5.5	5.5	5.5	...

No additional staff is requested for 1987.

In order to facilitate access to foreign, particularly European, ideas and experiences in housing and urban development, HUD maintains an Office of International Affairs. This Office, which is responsible for coordinating HUD's participation in international activities, has two major objectives:

(1) to help realize the Department's goals as defined by the Secretary by organizing cost-effective ways to assess relevant foreign urban experience, e.g., British enterprise zones; and

(2) to support the President's foreign policy objectives, particularly in technical exchanges and trade development.

In order to carry out its Congressional mandate a/ and White House directives, HUD is signatory to a number of cooperative agreements to exchange information with its counterparts in other nations. These exchanges, whether conducted directly with another government or through international conferences, often involve U.S. business executives and other nongovernment representatives. All HUD international activities are carried out in close coordination with the State Department and U.S. embassies and missions abroad. The following is a summary of the major programs administered by this Office:

a. Organization for Economic Cooperation and Development (OECD): Headquartered in Paris, the OECD sponsors a Group on Urban Affairs to facilitate cooperative urban studies among 24 major industrial democracies. The OECD's Urban Group is concentrating its current program on projects on urban economic development policies, cost-effective urban services, and housing finance programs. In April 1983, the Secretary chaired in Paris the first OECD meeting of Cabinet Ministers responsible for urban affairs. The current program is a direct result of that meeting.

b. U.S.-Canada: The bilateral agreement which was renewed in June 1982 by the Secretary continues a series of meetings on current urban program issues with officials of the Canada Mortgage and Housing Corporation (CMHC) in Ottawa. The subject of the 1985-86 meetings is new policy directions in urban redevelopment programs, with emphasis on public-private partnerships and urban entrepreneurship.

c. U.S.-Mexico: An Agreement on Housing and Urban Development was signed in February 1979 by the Secretary of State, with a new implementation plan signed in June 1983 by the Secretary. HUD works directly with its counterpart in Mexico City to improve binational cooperation on urban economic development and infrastructure issues along the U.S.-Mexico border and to study common urban problems, such as construction planning for seismic zones. HUD is also a member of the U.S.-Mexico Mixed Commission on Science and Technology which organizes a variety of cooperative projects.

d. United Nations Economic Commission for Europe (UN/ECE): Headquartered in Geneva, Switzerland, the UN/ECE is one of the five regional economic commissions in the U.N. system. One of its principal subsidiary bodies - the Committee on Housing, Building and Planning - supervises over 20 projects on various aspects of urban development. HUD is the lead agency for all U.S. interests on this Committee.

e. U.S.-China: An Agreement was signed in Washington in October 1981 by the Secretary to establish a cooperative program in building construction and urban planning with the Chinese Government. HUD uses the exchange to broaden ties between urban professionals in both countries and to develop commercial contacts for U.S. architecture, engineering, planning, and building materials firms.

f. U.S.-U.S.S.R.: President Nixon signed a U.S.-U.S.S.R. Housing Agreement in Moscow in June 1974. Coordinating the work of several other U.S. agencies in carrying out exchange activities, HUD has been the executive agency for implementation of this Agreement from the beginning. After several years of minimal program activity, President Reagan, in June 1984, directed HUD to revitalize its cooperative programs with the Soviets. In May 1985, HUD led an 11-member interagency delegation to Moscow for this purpose. The result was the drafting of a renewed program of 18 projects in six subject areas. In September 1985, the Secretary, as U.S. Co-Chairman of the Agreement, led a 20-member U.S. delegation to Moscow. During this Fourth U.S.-U.S.S.R. Joint Committee Meeting, the Secretary signed a Protocol (or implementation accord) to ratify the new program. Project work is to begin in early 1986.

a/ Section 604, Housing Act of 1957 (P.L. 85-104), as amended by Section 1709, Housing and Urban Development Act of 1968 (P.L. 90-448)

Apart from preparing background studies and briefings for HUD and private sector officials participating in the above programs, the Office may also organize some or all of the following activities: technical workshops and seminars; field visits to construction plants and urban sites by foreign delegations in the U.S.; and the exchange of reports and studies in housing and urban development with other governments and international agencies.

HUD has an obligation to respond to foreign government requests to share American studies and experience in urban development. Each year 300 or more foreign officials and technical experts responsible for urban planning, finance, and development in countries around the world visit HUD. The Office arranges their appointments with HUD officials. As the discussions focus on problems of common concern, they often prove to be mutually beneficial.

While the Office has a limited capability to handle non-Federal Government requests for information about housing and urban development in foreign countries, it uses its contacts in foreign governments to arrange appointments for U.S. mortgage bankers, home builders, and State and local officials interested in meeting foreign architects, planners, and city officials while abroad.

8. Office of the Assistant Secretary for Public Affairs

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year............................	28	29	28	26	-2
Staff-Years............................	31.1	32.0	29.3	29.3	...

No additional staff is requested for 1987.

The reduction of two positions in 1987 is consistent with overall Departmental program and staffing reductions.

The Office of the Assistant Secretary for Public Affairs is the principal advisory unit to the Secretary and Departmental staff on public information and media relations. The Office also serves as the central coordinating point for all communication activities within the Department. The Assistant Secretary for Public Affairs advises the Secretary and other principal staff of the Department on matters relating to public affairs, public information, and printed and audio-visual information materials intended for the Department's various constituencies and for the general public. The Office generates in-depth information through the use of reports and other material both from within the Department and from sources outside, such as legislative bodies, constituent organizations, and representatives of the private sector; develops communication programs; implements special projects; responds to inquiries and distributes informational material both within the Department and to the public; coordinates field public affairs activities; schedules and prepares for the Secretary's public appearances; and provides other public information services to the Department. Informational activities are keyed to the following objectives:

a. describing and explaining HUD's programs so that all program participants, prospective participants, and potential beneficiaries are aware of the nature and manner of operation of these programs;

b. ensuring that citizens are informed of the rights conferred upon them and the remedies available to them through the statutes, executive orders, and regulations administered by HUD;

c. accounting to the public at large, and to groups and individuals particularly concerned, for the Department's policies, procedures, and objectives, and progress towards attainment of objectives;

d. making HUD's stewardship of public funds a matter of public record through release of relevant information;

e. preparing and making available information designed to assist people in making prudent decisions regarding acquisition and maintenance of a home; and

f. responding promptly and fully to inquiries received from the public and the press.

The objectives of the Office are carried out through four main operating elements:

a. The Office of Press Relations. Provides the public and HUD's constituency groups with pertinent information about the Department's program activities and services; prepares and releases news in the form of press releases, announcements, statements, articles, and other written material on the Department; arranges for and monitors Washington news conferences, interviews, and other news media contacts for senior Department officials and responds to requests from and maintains liaison with the electronic news media.

b. Office of Policy Support. Prepares all speeches, remarks, testimony and other material for the Secretary's public speaking engagements. Completes special projects of a limited duration or, conversely, of a routine continuing nature, such as responding to correspondence from the general public. Formulates responses to broad-based inquiries, cutting across program lines, received from researchers, analysts and scholars. Researches, assembles, organizes and develops information on policy issues. Monitors all contracts for communication and public information support.

c. Office of Field Operations and Exhibits. Coordinates field public affairs activities. Heads the Communications Review Board, which is responsible for coordinating the publications activities of the Department. Develops standard replies for high-volume requests; locates material to fill specialized inquiries. Coordinates exhibit schedule for the Department, and has oversight of information content and graphics of existing and proposed Departmental exhibits. Monitors major daily newspapers and a selection of periodicals; prepares the Secretary's News Report, a clipsheet containing news items appearing in the nation's press. Oversees all printing production and distribution for the Office.

d. Office of Scheduling and Liaison. Schedules the daily activities of the Secretary and prepares appropriate briefing and background material on his appointments and engagements; prepares briefing books for use by the Secretary and other Departmental senior officials concerning their speaking engagements and participation in public events; maintains contacts in localities in which HUD officials are scheduled to make appearances; and coordinates preparations for those appearances. Maintains a Speakers Bureau which tracks public appearances by Department officials; prepares and distributes periodic schedules of these appearances. Maintains liaison with national organizations having an interest in HUD programs and activities; arranges for Departmental representation at conventions, conferences, and meetings sponsored by such organizations. Takes action on requests for HUD participation in events planned by civic or commercial sponsors.

Communication Support Services

The communication support services program, established and maintained by the Office of the Assistant Secretary for Public Affairs, consolidates HUD public information, related activities and services within a single organization for the purpose of targeting and managing such activities more effectively. The Office of the Assistant Secretary for Public Affairs utilizes its total resources, both material and personnel, to provide this communication support for the Secretary and the Department.

Activities conducted under this program consist of the following:

-- Minority Support Outreach. A project including support meetings, conferences, seminars and other methods of reaching individuals and groups throughout the nation to enable them to learn of benefits available from the Department.

-- Fair Housing Initiatives Program Outreach. A project designed to introduce to the public the subject program, and educate them regarding the ways to derive the benefits offered.

-- Voucher Program Support. An expanded communication effort to educate the public, under an intensified information outreach, regarding HUD's Voucher Program.

-- FHA. An educational program for the public concerning the functions of the subject office, particularly as to the financial aspects of its services and regarding the ways to benefit from insurance programs offered.

-- CPD. Continued dissemination of information on innovative techniques in the use of Community Development Block Grant funds.

-- Joint Venture for Affordable Rehab. Dissemination of information relative to innovative and cost-saving approaches to renovation of low-income housing.

-- Quality of Life. A communications plan to support a group of initiatives which benefit specialized groups who need assistance in reaching an acceptable standard of living.

-- Fair Housing/Elderly and Handicapped. Continuation of the program to inform the elderly and handicapped of programs available to them.

-- Affordable Housing Support. Continuation of an informational program to acquaint people with the cost of housing today and how it can be reduced.

-- Enterprise Zones. A communications effort to encourage business and community development under the Enterprise Zones program.

-- Fraud, Waste and Mismanagement Informational Program. Communication to the public of the Department's determination to curtail the misuse of the taxpayers' dollars.

-- GNMA. Support coordination and outreach to small investors.

-- Various Communication Projects. Activities that will become necessary but which cannot be specifically detailed at this time.

9. Office of the Assistant Secretary for Legislation and Congressional Relations

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permananet Appointments, End of Year..............................	27	29	28	26	-2
Staff-Years..............................	30.1	30.5	28.3	27.3	-1.0

No additional staff is requested for 1987.

The reduction of two positions in 1987 is consistent with overall Departmental program and staffing reductions.

The Office of Legislation and Congressional Relations works with relevant program offices in developing the Department's legislative program in cooperation with the Office of the General Counsel; overseeing the progress of the Department's legislative program in the Congress and coordinating with the Office of the General Counsel the expression of the Department's position on legislative proposals under consideration; coordinating the preparation of Departmental testimony by program offices; and resolving intradepartmental policy differences and differences between the Department and the Office of Management and Budget on legislative matters.

The Office is also responsible for providing services to the Congress and serves as the focal point for inquiries, communications, and general information as they relate to the Department's policies and activities.

10. Office of Administrative Law Judge

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year............................	2	2	2	2	...
Staff-Years............................	2.7	2.6	2.6	2.6	...

No additional staff is requested for 1987.

The Office of Administrative Law Judge provides the administrative adjudicative system for HUD where required by statute, executive order, Departmental rule, or any other administrative procedures for which the expertise of an Administrative Law Judge is appropriate. The Administrative Law Judge rules upon procedural issues, evaluates evidence, resolves credibility, and makes decisions in accordance with applicable statutes, executive orders, or Departmental rules.

11. HUD Board of Contract Appeals

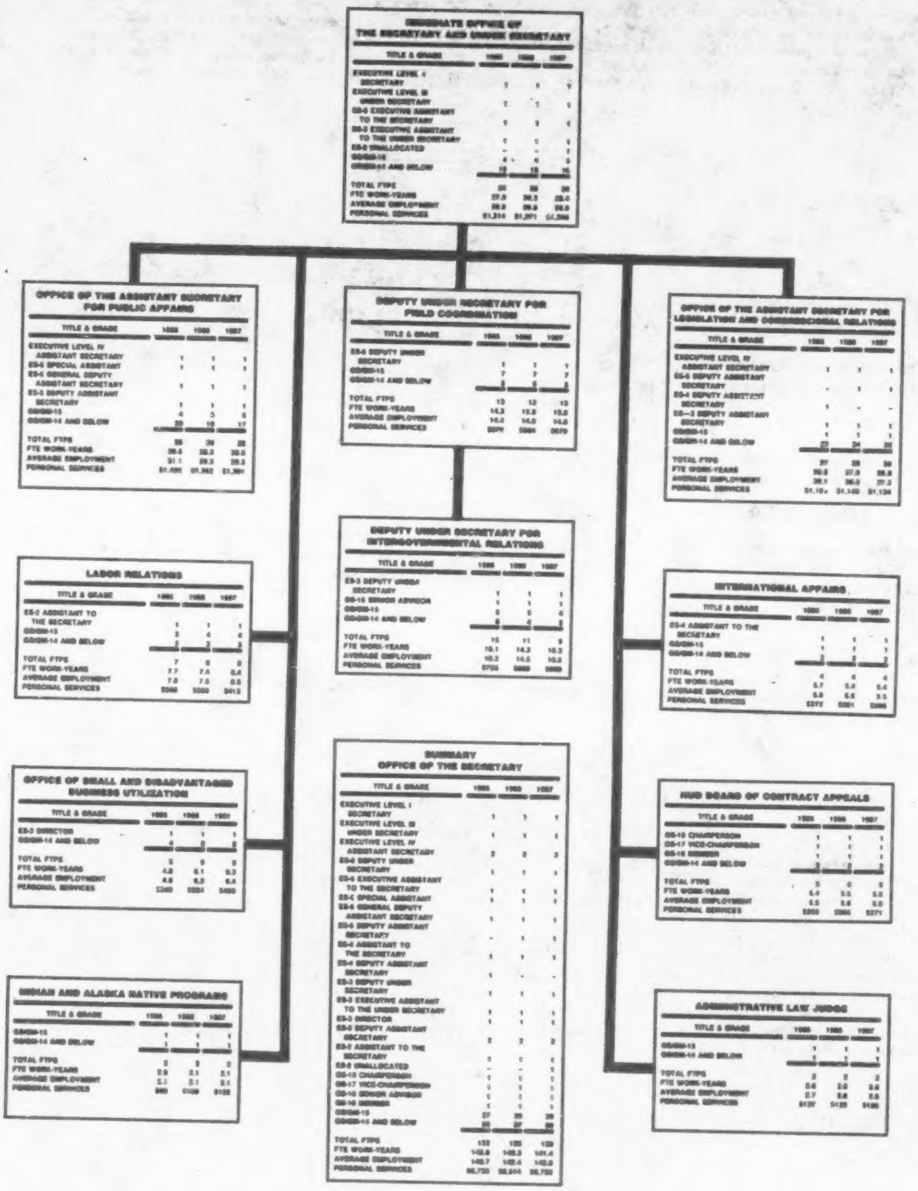
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year............................	5	5	5	5	...
Staff-Years............................	5.5	5.7	5.6	5.6	...

No additional staff is requested for 1987.

Pursuant to the Contract Disputes Act of 1978, (P.L. 95-563), the HUD Board of Contract Appeals acts for the Secretary as an independent forum for hearings and for the issuance of final decisions in all appeals by contractors from final written decisions of contracting officers. The decisions of the Board in these appeals are binding on the Department and the contractor, and can be appealed to the U.S. Court of Appeals for the Federal Circuit. In addition, the Board hears and makes determinations on behalf of the Secretary on administrative appeals relating to grants, the debarment and suspension of contractors, and Mortgagee Review Board decisions. The decisions of the Board in bid protests relating to National Housing Act contracts and in reviews of departmental actions relating to National Housing Act contracts and in reviews of departmental actions related to IRS offsets of tax refunds of individuals indebted to the Department are binding on the agency.

The Board has the flexibility to provide either a full trial with discovery, subpoenas, and formal trial procedures, or more informal, expedited hearings for appellants with small claims against the Department. All final decisions are written, and more than half of the Board's hearings are held in the appellant's city to accommodate small business and pro se appellants.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT



IMMEDIATE OFFICE OF THE SECRETARY AND UNDER SECRETARY

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL II UNDER SECRETARY	1	1	1
ES-6 EXECUTIVE ASSISTANT TO THE SECRETARY	1	1	1
ES-3 EXECUTIVE ASSISTANT TO THE UNDER SECRETARY	1	1	1
ES-5 UNALLOCATED	-	-	1
GS/GM-15	4	6	5
GS/GM-14 AND BELOW	15	15	16
TOTAL FTPS	[illegible]	[illegible]	[illegible]
FTE WORK-YEARS	27.0	24.1	25.4
AVERAGE EMPLOYMENT	26.0	26.6	26.6
PERSONAL SERVICES	$1,214	$1,271	$1,266

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-6 SPECIAL ASSISTANT	1	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-3 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	4	5	6
GS/GM-14 AND BELOW	20	19	17
TOTAL FTPS	28	28	28
FTE WORK-YEARS	29.4	28.0	28.0
AVERAGE EMPLOYMENT	31.1	28.3	28.3
PERSONAL SERVICES	$1,485	$1,362	$1,364

DEPUTY UNDER SECRETARY FOR FIELD COORDINATION

TITLE & GRADE	1985	1986	1987
ES-4 DEPUTY UNDER SECRETARY	1	1	1
GS/GM-15	7	7	7
GS/GM-14 AND BELOW	5	5	5
TOTAL FTPS	13	13	13
FTE WORK-YEARS	14.3	13.8	13.8
AVERAGE EMPLOYMENT	14.4	14.0	14.0
PERSONAL SERVICES	$677	$664	$679

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION AND CONGRESSIONAL RELATIONS

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-5 DEPUTY ASSISTANT SECRETARY	-	1	1
ES-4 DEPUTY ASSISTANT SECRETARY	1	-	-
ES—3 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	23	24	24
TOTAL FTPS	27	28	28
FTE WORK-YEARS	30.5	27.9	28.9
AVERAGE EMPLOYMENT	28.1	28.0	27.3
PERSONAL SERVICES	$1,10[illegible]	$1,140	$1,134

DEPUTY UNDER SECRETARY FOR INTERGOVERNMENTAL RELATIONS

TITLE & GRADE	1985	1986	1987
ES-3 DEPUTY UNDER SECRETARY	1	1	1
GS-16 SENIOR ADVISOR	1	1	1
GS/GM-15	5	5	4
GS/GM-14 AND BELOW	8	4	3
TOTAL FTPS	15	11	9
FTE WORK-YEARS	16.1	14.2	10.2
AVERAGE EMPLOYMENT	16.2	14.5	10.5
PERSONAL SERVICES	$706	[illegible]	[illegible]

LABOR RELATIONS

TITLE & GRADE	1985	1986	1987
ES-2 ASSISTANT TO THE SECRETARY	1	1	1
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	3	3	3
TOTAL FTPS	7	8	8
FTE WORK-YEARS	7.7	7.4	8.4
AVERAGE EMPLOYMENT	7.8	7.5	8.5
PERSONAL SERVICES	$346	$358	$412

INTERNATIONAL AFFAIRS

TITLE & GRADE	1985	1986	1987
ES-4 ASSISTANT TO THE SECRETARY	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	2	2	2
TOTAL FTPS	4	4	4
FTE WORK-YEARS	5.7	5.4	5.4
AVERAGE EMPLOYMENT	5.8	5.5	5.5
PERSONAL SERVICES	$272	$261	$266

SUMMARY OFFICE OF THE SECRETARY

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL II UNDER SECRETARY	1	1	1
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	2	2	2
ES-6 DEPUTY UNDER SECRETARY	1	1	1
ES-6 EXECUTIVE ASSISTANT TO THE SECRETARY	1	1	1
ES-6 SPECIAL ASSISTANT	1	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-5 DEPUTY ASSISTANT SECRETARY	-	1	1
ES-4 ASSISTANT TO THE SECRETARY	1	1	1
ES-4 DEPUTY ASSISTANT SECRETARY	1	-	-
ES-3 DEPUTY UNDER SECRETARY	1	1	1
ES-3 EXECUTIVE ASSISTANT TO THE UNDER SECRETARY	1	1	1
ES-3 DIRECTOR	1	1	1
ES-3 DEPUTY ASSISTANT SECRETARY	2	2	2
ES-2 ASSISTANT TO THE SECRETARY	1	1	1
ES-5 UNALLOCATED	-	-	1
GS-18 CHAIRPERSON	1	1	1
GS-17 VICE-CHAIRPERSON	1	1	1
GS-16 SENIOR ADVISOR	1	1	1
GS-16 MEMBER	1	1	1
GS/GM-15	27	30	30
GS/GM-14 AND BELOW	[illegible]	87	[illegible]
TOTAL FTPS	132	135	139
FTE WORK-YEARS	143.8	140.5	141.4
AVERAGE EMPLOYMENT	145.7	142.4	140.6
PERSONAL SERVICES	$6,720	$6,514	$6,720

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

TITLE & GRADE	1985	1986	1987
ES-3 DIRECTOR	1	1	1
GS/GM-14 AND BELOW	4	8	8
TOTAL FTPS	5	9	9
FTE WORK-YEARS	4.8	6.1	9.3
AVERAGE EMPLOYMENT	4.8	6.2	9.4
PERSONAL SERVICES	$240	$284	$400

HUD BOARD OF CONTRACT APPEALS

TITLE & GRADE	1985	1986	1987
GS-18 CHAIRPERSON	1	1	1
GS-17 VICE-CHAIRPERSON	1	1	1
GS-16 MEMBER	1	1	1
GS/GM-14 AND BELOW	3	2	2
TOTAL FTPS	6	5	5
FTE WORK-YEARS	5.4	5.5	5.5
AVERAGE EMPLOYMENT	5.5	5.6	5.6
PERSONAL SERVICES	$266	$266	$271

INDIAN AND ALASKA NATIVE PROGRAMS

TITLE & GRADE	1985	1986	1987
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	1	1	1
TOTAL FTPS	2	2	2
FTE WORK-YEARS	2.9	2.1	2.1
AVERAGE EMPLOYMENT	3.1	2.1	2.1
PERSONAL SERVICES	$90	$109	$102

ADMINISTRATIVE LAW JUDGE

TITLE & GRADE	1985	1986	1987
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	1	1	1
TOTAL FTPS	2	2	2
FTE WORK-YEARS	2.6	2.6	2.6
AVERAGE EMPLOYMENT	2.7	2.6	2.6
PERSONAL SERVICES	$127	$125	$126

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 9: GENERAL COUNSEL

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Total Budget Activity................	$12,099	$11,880	$12,478	$13,486	+$1,008
Full-Time Permanent Appointments, End of Year.........................	219	212	212	212	...
Full-Time Equivalents................	228.6	223.1	214.4	223.4	+9.0
Staff-Years..........................	230.7	224.8	216.0	225.0	+9.0

SUMMARY OF BUDGET REQUEST

The 1987 request is for $13,486 thousand and 212 positions. This represents an increase of $1,008 thousand from the 1986 level with no change in positions, but an increase of nine staff-years. The additional funds support the staff-year increase and provide for increased automated data processing and technical support.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Personal Services......................	$10,751	$9,991	$10,172	$10,795	+$632
Travel and Trapsportation of Persons.	216	199	219	232	+13
Transportation of Things..............	3	3	3	3	...
Rent, Communications and Utilities...	268	249	391	293	-98
Printing and Reproduction............	62	44	49	64	+15
Other Services........................	445	1,072	1,377	1,825	+448
ADP Services........................	(263)	(805)	(1,180)	(1,419)	(+239)
Contracts...........................	(141)	(140)	(140)	(340)	(+200)
Supplies and Materials................	61	94	65	74	+9
Furniture and Equipment..............	21	46	20	18	-2
Insurance and Indemnities............	272	182	182	182	...
Total..............................	12,099	11,880	12,478	13,478	+1,008

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $12,099 are $212 thousand less than the previous budgeted amount of $12,311 thousand. This is due almost exclusively to lower than anticipated costs for automated data processing services.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$11,880
Add amendment to restore proposed five percent pay reduction	+457
Addition by the Congress on the 1986 request for "Salaries and Expenses"	+74
Add effect of general repricing	+526
Deduct mandated funding reduction	-459
Current 1986 estimate	12,478

The changes to the funding requirements for 1986 are the result of the following:

- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $457 thousand;
- the addition by the Congress of two staff-years in support of and concurrent with approval by the Congress for higher program levels than requested in the Budget requires an increase of $74 thousand;
- a reassessment of funding needs based on more recent cost and requirements data results in an increase of $526 thousand; the increase is principally due to revised average salary costs and cost increases for automated data processing services; and
- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $459 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$12,099	$12,478
Changes to terminal leave and severance pay	-21	+13
Changes to personal services costs due to changes to average employment	-685	+418
Changes to personal services costs due to changes in average cost per staff-year	+127	+192
Changes in automated data processing services cost	+917	+239
Changes to all other costs	+41	+146
Total obligations	12,478	13,486

There is a net decrease in personal services costs of $579 thousand in 1986 and a net increase of $623 thousand in 1987. They reflect the following:

- terminal leave and severance pay are expected to decrease $21 thousand in 1986 and increase $13 thousand during 1987;
- it is estimated that a decrease of 14.7 staff-years in 1986 will reduce obligations $685 thousand and an increase of 9.0 staff-years in 1987 will require an increase of $418 thousand;

-- changes to the average cost per staff-year due to promotions, within-grade increases and changes to the relative mix of permanent full-time, part-time and temporary staff are expected to result in increases of $127 thousand in 1986 and $192 thousand in 1987.

There are net increases in non-personal services costs of $958 thousand in 1986 and $385 thousand in 1987. The changes reflect the following:

-- Changes to the automated data processing services are expected to increase $917 thousand in 1986 due to a more accurate reflection of operations costs associated with OGC's systems; a further increase of $239 thousand in 1987 is associated with improvements to the systems;

-- Changes for all other support items, such as travel, printing, communications, supplies, etc., result in net increases of $41 thousand in 1986 and $146 thousand in 1987. The increase in 1986 is principally for an increase of $107 thousand for equipment rental which is partially offset by decreases in other areas. The increases in 1987 include $200 thousand for Technical Services which is partially offset by decreases for other items and which is discussed under the section on Contracts.

4. CONTRACTS

The funding request includes the funding levels indicated below for Technical Services Contract support.

	ACTUAL 1985	ESTIMATE 1986	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Technical Services					
On-Line Legal Research....	141	140	140	340	+200
Total Technical Services	141	140	140	340	+200

These funds are for on-line legal research services. The research is used principally in association with litigation activities and to research judicial decisions and findings and litigation on a variety of housing and development matters in the various jurisdictions throughout the country. The services were established during 1985 and have proved highly useful. The severe funding constraints established for 1986 have precluded the increase in the level of service. However, additional funds are being requested in 1987 to obtain the full benefit of this service.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The General Counsel, as the Chief Legal Officer of the Department, is the legal advisor to the Secretary and other principal staff of the Department. It is the responsibility of the General Counsel and staff to provide legal opinions, advice, and services with respect to all programs and activities and to provide counsel and assistance in the development of the Department's programs and policies.

2. WORKLOAD

The principal workload of the Office of General Counsel (OGC) consists of providing advice to program managers; preparing memoranda on legal problems arising under HUD programs; carrying on litigation; drafting and reviewing regulations; and drafting, reviewing, and clearing legislation and legislative materials. OGC attorneys now spend significantly increasing amounts of time preparing for and representing HUD at administrative hearings. Moreover, demand for legal services in other areas has increased substantially.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year..........................	219	212	212	212	...
Staff-Years..........................	230.7	224.8	216.0	225.0	+9.0

There is no change in staff positions anticipated but there is an increase of nine staff-years. The increase reflects the depressed level being experienced in 1986 due to severe funding constraints. Thus, the increase simply provides a normal staffing level.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel..............................	223.6	211.8	220.8
Temporary and Part-Time Employees..........................	5.0	2.6	2.6
Overtime..	0.9	0.6	0.6
Terminal Leave..	1.2	1.0	1.0
Total Staff-Years...	230.7	216.0	225.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in this part of the Justifications. The changes in these programs reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment, and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

The following tables indicate the distribution of full-time permanent staff and staff-years for the offices within OGC and are followed by a discussion of the functions and staffing requirements for each of those offices.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office..................	18	18	18	18	...
Office of Insured Housing and Finance..........................	52	52	52	52	...
Office of Assisted Housing and Community Development............	35	29	29	29	...
Office of Equal Opportunity and Administrative Law...............	32	32	32	32	...
Office of Program Enforcement......	31	30	30	30	...
Office of Litigation...............	21	21	21	21	...
Office of Legislation and Regulations.......................	30	30	30	30	...
Total Full-Time Permanent Appointments, End of Year........	219	212	212	212	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office..................	19.0	19.1	18.3	19.1	+0.8
Office of Insured Housing and Finance..........................	54.8	55.1	53.0	55.2	+2.2
Office of Assisted Housing and Community Development............	36.9	30.8	29.5	30.8	+1.3
Office of Equal Opportunity and Administrative Law................	33.7	33.9	32.6	34.0	+1.4
Office of Program Enforcement......	32.6	31.8	30.6	31.8	+1.2
Office of Litigation...............	22.1	22.3	21.4	22.3	+0.9
Office of Legislation and Regulations.........................	31.6	31.8	30.6	31.8	+1.2
Total Staff-Years.................	230.7	224.8	216.0	225.0	+9.0

1. Immediate Office of General Counsel

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year.......................	18	18	18	18	...
Staff-Years.......................	19.0	19.1	18.3	19.1	+0.8

The Office of General Counsel is responsible for providing all legal advice and service necessary at the Headquarters level for the formulation, implementation, and operation of Departmental programs and administrative management. The General Counsel also provides professional supervision of the staff and functions of the legal offices of the Department in the field. The Immediate Office is professionally staffed by the General Counsel, two Deputy General Counsels, and one Special Assistant. It also includes the Offices of Administrative Services and Field Legal Services.

2. Office of Insured Housing and Finance

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year.......................	52	52	52	52	...
Staff-Years.......................	54.8	55.1	53.0	55.2	+2.2

The Office of Insured Housing and Finance consists of three Divisions: Multifamily Mortgage, Home Mortgage, and Finance. Together, these units perform legal functions required in connection with all HUD housing programs involving insured mortgages on both the development and management sides, all of the Government National Mortgage Association (GNMA) programs, general tax policy concerns, and problems in connection with the marketing of tax-exempt obligations.

a. Multifamily Mortgage Division

The Multifamily Mortgage Division provides legal services with respect to all mortgage insurance programs under the National Housing Act involving multi-unit rental projects and health care facilities. These include multifamily rental housing, elderly housing, nursing homes, intermediate care facilities, hospitals, group practice facilities, condominiums, cooperatives, and land development projects. These services include commentary, advice, and opinions on the implementation of statutory and regulatory requirements concerning the origination, management, and servicing of insured mortgages. They also include analyses of documents and financing for transfers of physical assets or properties to new owners; support for claims processing, and mortgage and property acquisition (excluding foreclosures); support for the disposition or sale of HUD-owned properties and mortgages through negotiations and auctions; and defensive litigation involving mortgage insurance claims, mechanics' liens, bankruptcy, property tax proceedings, and disposition or sale matters.

b. Home Mortgage Division

The Home Mortgage Division provides legal services with respect to one-to-four family mortgage insurance programs and the Title I property improvement and manufactured home programs under the National Housing Act. These services include commentary, advice, and opinions with respect to statutory and regulatory requirements for the approval of mortgagees and lenders, and the origination, management, and servicing of insured mortgages and loans. They also include legal determinations on mortgage or loan insurance claims; insured mortgage loan foreclosures; foreclosure relief for deserving mortgagors under the temporary mortgage assistance program or the assignment program; the resolution of title problems; support for the disposition or sale of HUD-owned properties or mortgages; matters pertaining to criminal or civil fraud; affirmative litigation for debt collection; and defensive litigation arising under the one-to-four family mortgage insurance programs and the Title I programs.

c. Finance Division

The Finance Division provides legal services with respect to all GNMA programs under the National Housing Act and other statutes, as well as the use of tax-exempt financing for public housing, urban renewal, and state agency housing projects including legal problems in connection with the conversion of Public Housing Financing from long-term amortization to full capital funding. It also provides advice on tax and securities law, real estate syndications, bankruptcy problems, and financial workouts of troubled projects. These services include commentary, advice, and opinions on the application of statutory and regulatory requirements to the balance of GNMA Tandem activities and programs and the Mortgage-Backed Securities program. They also include assistance to GNMA with respect to the development and interpretation of agreements between GNMA and mortgage sellers and purchasers, GNMA and mortgage-backed securities issuers, and GNMA and FNMA when acting as agent. The Division is involved in all litigation affecting GNMA's interests, coordinates OGC staff support for HUD/Treasury liaison activities at the direction of HUD's Tax and Finance Policy Coordinating Committee, and provides legal advice with respect to the Secretary's FNMA oversight responsibilities.

3. Office of Assisted Housing and Community Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year........................	35	29	29	29	...
Staff-Years..........................	36.9	30.7	29.5	30.8	+1.3

The Office of Assisted Housing and Community Development is made up of three Divisions: the Block Grants Division, the Assisted Housing Division, and the Action Grants Division.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

a. Block Grants Division

The principal function of the Block Grants Division is the provision of legal counsel in connection with the Community Development Block Grant (CDBG) program authorized under Title I of the Housing and Community Development Act of 1974. The Division furnishes legal advice to Headquarters program staff, field counsel, field program staff, and grant recipients concerning eligibility of activities, application and program requirements, and other legal aspects of this program.

The Division handles legal work concerning the other major developmental program authorized under Title I, the Urban Development Action Grant (UDAG) program. Division attorneys participate in drafting and interpretation of regulations and program policies and provide guidance on case problems. In addition, the Division is responsible for the provision of legal services relating to the Rental Rehabilitation Grant program authorized in 1983, Urban Homesteading program, Section 312 Rehabilitation Loans, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, historic preservation questions affecting all HUD programs, and the final phase-out of the categorical programs (such as Urban Renewal) consolidated in the block grant legislation.

b. Assisted Housing Division

The Assisted Housing Division provides legal advice and assistance in connection with all of the Department's programs under the United States Housing Act of 1937 (except for the Rental Rehabilitation Grant program), including Conventional and Turnkey Public Housing, the Section 8 Housing Assistance program, Indian Housing and Homeownership programs, and the new Housing Development Grant program and Section 8 Voucher Demonstration which were enacted in 1983. The Division also has responsibility for the Rental Housing for the Elderly and Handicapped program pursuant to Section 202 of the Housing Act of 1959 and the revolving fund for liquidating programs.

The Division also provides legal services regarding tax-exempt financing under Section 11(b) of the United States Housing Act of 1937. The Division workload also includes legal services in connection with matters with such diverse policy ramifications as appropriate safeguards for promoting nondiscrimination of the handicapped pursuant to Section 504 of the Rehabilitation Act of 1973; administration of the Architectural Barriers Act; the provision of Indian Housing on Indian Reservations; and the Comprehensive Improvement Assistance program for modernization of public housing.

c. Action Grants Division

Legal work in the UDAG program directly related to the negotiation and documentation of projects is now performed by attorneys who were a part of the UDAG staff within Community Planning and Development. These attorneys function as members of the UDAG Development Teams, with whom they are officed. They participate in project negotiations, prepare project grant agreements and conditions, and review for legal adequacy the legally binding commitments (LBCs) received for grant recipients in satisfaction of the grant conditions.

4. Office of Equal Opportunity and Administrative Law

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year........................	32	32	32	32	...
Staff-Years........................	33.7	33.8	32.6	34.0	+1.4

The work of this Office if conducted through four Divisions--Administrative Law, Fiscal Management and Energy Programs, Equal Opportunity, and Personnel Law and Title VII.

a. Administrative Law Division

The Division performs the Office's work with respect to the Department's employee ethics program, procurement and contract activities, the Freedom of Information Act and the Privacy Act of 1974, and matters involving Department organization and management.

(1) Standards of Conduct. The Division has the continuing responsibility for legal advice concerning the HUD Standards of Conduct regulations and for annual review of over 3,000 Statements of Outside Employment and Financial Interests submitted by employees and several hundred detailed financial disclosure statements required of Senior Executive Service (SES) and Schedule C employees under the Ethics in Government Act of 1978.

(2) Civil Service Reform. Enactment of the Civil Service Reform Act in 1978 has continued to cause an increase in Division workload as the Office of Personnel Management issues new regulations and the Merit Systems Protection Board issues decisions concerning agency procedures which must be implemented within HUD.

(3) Procurement, Grants, and Cooperative Agreements. In the area of procurement, grants, and cooperative agreements, Division attorneys review Requests for Proposals and other solicitation and contract documents for major undertakings of the Department, including studies of Departmental programs and purchases of major ADP systems and computer hardware. The Division represents the Department in contract appeal hearings and bid protest proceedings before HUD's Board of Contract Appeals and in bid protest proceedings before the General Accounting Office.

b. Fiscal Management and Energy Division

The Division has the following responsibilities in addition to residual work under the terminated New Communities Program.

(1) Surplus Land Program. Legal advice and interpretations and drafting assistance for the Surplus Land program established by Section 414 of the HUD Act of 1969, as substantially amended in 1978.

(2) Labor Standards. Legal advisor to the Assistant to the Secretary for Labor Relations and provides legal advice on the applicability of Davis-Bacon prevailing wage rates and other labor standards to HUD programs.

(3) Environmental Law. Consultative services in connection with a substantial volume of litigation and inquiries on implementation of and compliance with the National Environmental Policy Act and environmental protection statutes in all HUD program operations.

(4) Equal Access to Justice Act. Coordinating the implementation of the Equal Access to Justice Act with respect to Department administrative proceedings covered by the Act.

(5) Solar Bank. All legal work for the Solar Energy and Energy Conservation Bank created by the Energy Security Act of 1980.

(6) RESPA. Legal advice and regulations implementing the Real Estate Settlement Procedures Act.

(7) Lead-Based Paint. Regulations and legal advice for the Lead-Based Paint Poisoning Prevention Act.

c. Equal Opportunity Division

The Equal Opportunity Division provides legal services in connection with the development and implementation of the Department's fair housing and equal opportunity efforts. These include activities under a panoply of nondiscrimination authorities. Under the fair housing statute (Title VIII of the Civil Rights Act of 1968), the Division provides rulings on legal issues relating to investigations and conciliations of complaints, assists the Headquarters Systemic Discrimination Unit, determines whether state and local fair housing laws provide rights and remedies substantially equivalent to those of Title VIII, and reviews HUD Affirmative Fair Housing Marketing implementation.

The Division provides legal advice and guidance regarding the Secretary's leadership role in ensuring that all Federal programs relating to housing and urban development affirmatively further fair housing under Title VIII. Under Title VI of the Civil Rights Act of 1964 (nondiscrimination in programs of Federal financial assistance) and Section 109 of the Housing and Community Development Act of 1974 (nondiscrimination in Community Development programs), the Division represents the Department in proceedings for the termination of assistance to recipients of HUD assistance charged with discrimination.

Under Executive Order 11063, the Division performs activities complementary to those under Titles VI and VIII respecting insured housing programs. It gives advice on the relationship of the Equal Credit Opportunity Act to Department programs and to Title VIII considerations. Additional responsibilities include assistance in defining and carrying out the Department's activities dealing with rights of minorities and low-income persons under equal employment opportunity clauses in HUD contracts and Section 3 of the HUD Act of 1968 (employment opportunities for project area residents and business opportunities for project area businesses), Executive Order 11625 (minority business enterprise), and Executive Order 12138 (women's business enterprise).

c. Personnel Law and Title VII Division

This Division performs the Office's work relating to the subject matter areas of personnel, labor management relations, and employment discrimination law.

(1) Personnel Law. The Division has the responsibility for providing legal advice on personnel related subjects. Examples include the appropriateness of taking adverse or performance-based actions and reduction in force questions. Division attorneys handle administrative litigation before the Merit Systems Protection Board and assist Department of Justice attorneys with the preparation and presentation of cases in the Federal Courts. Representation is provided in all cases involving Headquarters personnel and in serious cases involving field personnel.

(2) Labor Management Relations Law. The Division provides advice on questions of Federal sector labor law, particularly questions relating to Title VII of the Civil Service Reform Act of 1978. Representation is provided by Division attorneys in proceedings before the Federal Labor Relations Authority including the Federal Service Impasses Panel, as well as arbitration proceedings. The Division is responsible for assisting the Department of Justice in labor management relations cases.

(3) Employment Discrimination Law. The Division provides advice on issues relating to employment discrimination law, particularly Title VII of the Civil Rights Act of 1964. The Division is responsible for representing the Department in appeals before the Equal Employment Opportunity Commission and assisting the Department of Justice in employment discrimination cases in Federal Court.

5. Office of Program Enforcement

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year......................	31	30	30	30	...
Staff-Years......................	32.6	31.8	30.6	31.8	+1.2

The Office of Program Enforcement performs legal work required in connection with the conduct of programs and functions of the Mortgagee Review Board, the Office of Inspector General, and the various Departmental regulatory programs for Mobile Homes, Interstate Land Sales, Real Estate Settlement Procedures, and Lead-Based Paint Poisoning Prevention, and under the recently enacted Multifamily Mortgage Foreclosure Act.

The Office has two Divisions: the Inspector General and Administrative Proceedings Division and the Program Compliance and Enforcement Division.

a. Inspector General and Administrative Proceedings Division

The Division provides counsel to the Mortgagee Review Board, the Office of Inspector General, the Multifamily Participation Review Committee, and those offices of the Assistant Secretaries responsible for imposing suspensions and debarments. As counsel to the Mortgagee Review Board (MRB), it assists in the preparation of the Board's agenda, recommends appropriate mortgagee sanctions, and provides the Board with legal counsel and advice.

This Division provides legal services to the Office of Inspector General (OIG) in support of its functions under the Inspector General Act of 1978 (P.L. 95-452) which include: interpreting statutes, regulations, and policy directives governing the administration of the Department's programs; advising the Inspector General on investigative procedures and techniques such as subpoenaing documents and admonishing witnesses, drafting subpoenas, and when necessary enforcing those subpoenas in Federal District Court. It also provides counsel to the Multifamily Participation Review Committee, which approves or disapproves the participation of principals in the Department's multifamily housing programs, by reviewing applications and advising the Committee.

Title 24 of the Code of Federal Regulations, Part 24, authorizes the Department's Assistant Secretaries to impose administrative sanctions in the form of suspensions and debarments against contractors and grantees determined to be irresponsible or in violation of HUD's rules and regulations. If an Assistant Secretary suspends or debars a contractor or grantee, Part 24 provides the contractor or grantee with an opportunity for a full evidentiary hearing before an Administrative Law Judge or a hearing officer. It also represents the Department in all administrative proceedings arising from suspension and debarment matters.

b. Program Compliance and Enforcement Division

The Division is responsible for implementing the Multifamily Mortgage Foreclosure Act. Not only are there a large number of cases, but Division attorneys are also taking over many of the duties of conducting the litigation formerly handled by the Justice Department. In addition, the Division is involved in affirmative litigation in other areas of the Department's debt collection activities as well as affirmative litigation to enforce program requirements.

HUD's administration of the National Manufactured Home Construction and Safety Standards Act of 1974 requires substantial involvement in subpoena hearings, administrative hearings, and enforcement litigation. Further involvement is also anticipated in the revision of the Federal standards. In addition, significant legislation or regulatory changes are anticipated involving the Interstate Land Sales Full Disclosure Act, the Real Estate Settlement Procedures Act, and the Lead-Based Paint Poisoning Prevention Program.

6. Office of Litigation

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year......................	21	21	21	21	...
Staff-Years......................	22.1	22.3	21.4	22.3	+0.9

This Office has overall responsibility for the handling of litigation affecting the Department's programs both in Headquarters and through the field organization. Suits brought against the Department have shown a moderate but uninterrupted increase in number over the past several years. In the Community Development Block Grant program, litigants seek to compel the Secretary to force grant recipients to comply with commitments or certifications. Low-income persons are bringing class action suits seeking to obtain procedural due process in the application, reduction or termination of assistance in the various subsidized housing programs. In other cases, tenants of HUD-assisted projects seek to have HUD guarantee that their projects are maintained in good repair. There are suits by neighborhood residents who seek to block HUD approval of sites selected by developers for low-income housing. Other residents and organizations have challenged the development of assisted housing which has already been built with HUD's approval in areas alleged to have excessively high racial minority concentrations. Suits have been brought challenging the terms and conditions on which HUD disposes of its property, seeking to compel a particular use.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: General Counsel

7. Office of Legislation and Regulations

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year........................	30	30	30	30	...
Staff-Years.........................	31.6	31.8	30.6	31.8	+1.2

The Office of Legislation and Regulations has two Divisions: the Legislation Division and the Regulations Division.

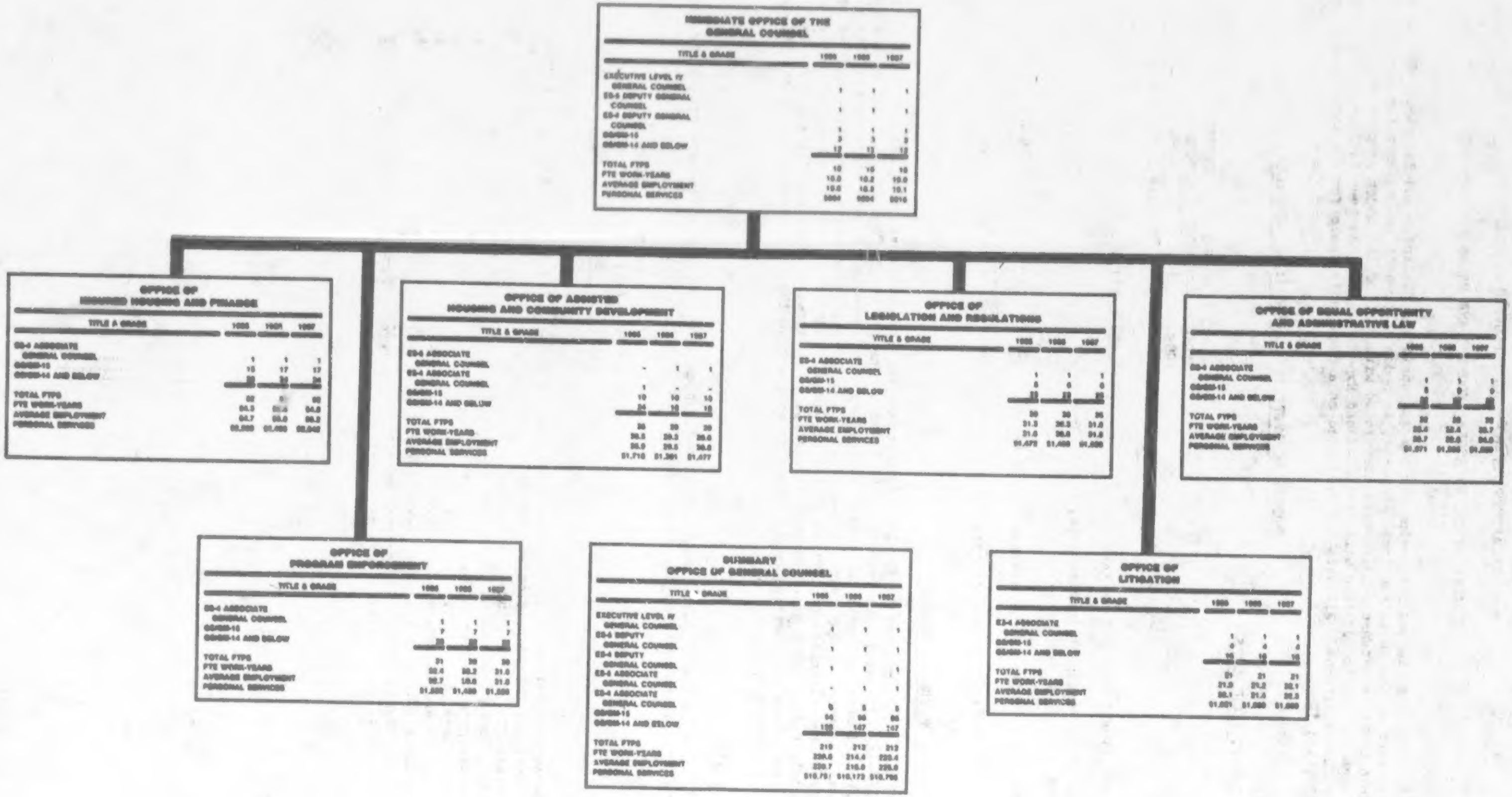
a. Legislation Division

The Legislation Division performs a variety of legal functions in connection with the Department's legislative program. Major areas of responsibility include: development, preparation, and clearance of the annual program of authorization legislation; provision of legal counsel during Congressional consideration of the legislation; provision of advice and other assistance on appropriations matters; review and clearance of testimony; and provision of drafting legal review, and other technical assistance to Federal and state officials, upon request, regarding legislation related to the Department's interest or programs. The Office also provides extensive legislative reference services to the Department.

b. Regulations Division

The Regulations Division is responsible for drafting and clearing regulations necessary to carry out the Department's programs and policies; managing HUD's implementation of rulemaking under 24 CFR Part 10, Section 7(o) of the Department of Housing and Urban Development Act, the Regulatory Flexibility Act, the Paperwork Reduction Act, and Executive Order 12291; clearing within the Office of General Counsel non-regulatory Departmental issuances; preparing the Department's views on proposed Executive Orders; and advising program offices concerning newly enacted legislation which may give rise to a need for new or amended regulations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF GENERAL COUNSEL
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



IMMEDIATE OFFICE OF THE GENERAL COUNSEL

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV GENERAL COUNSEL	1	1	1
ES-5 DEPUTY GENERAL COUNSEL	1	1	1
ES-4 DEPUTY GENERAL COUNSEL	1	1	1
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	12	12	12
TOTAL FTPS	18	18	18
FTE WORK-YEARS	18.8	18.2	18.0
AVERAGE EMPLOYMENT	18.8	18.3	18.1
PERSONAL SERVICES	$904	$904	$916

OFFICE OF INSURED HOUSING AND FINANCE

TITLE & GRADE	1985	1986	1987
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	16	17	17
GS/GM-14 AND BELOW	35	34	34
TOTAL FTPS	52	52	52
FTE WORK-YEARS	54.3	53.6	54.8
AVERAGE EMPLOYMENT	54.7	55.8	56.2
PERSONAL SERVICES	$2,200	$1,980	$2,042

OFFICE OF ASSISTED HOUSING AND COMMUNITY DEVELOPMENT

TITLE & GRADE	1985	1986	1987
ES-5 ASSOCIATE GENERAL COUNSEL	-	1	1
ES-4 ASSOCIATE GENERAL COUNSEL	1	-	-
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	24	18	18
TOTAL FTPS	35	29	29
FTE WORK-YEARS	36.5	29.3	29.6
AVERAGE EMPLOYMENT	36.0	29.5	30.0
PERSONAL SERVICES	$1,716	$1,391	$1,477

OFFICE OF LEGISLATION AND REGULATIONS

TITLE & GRADE	1985	1986	1987
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	23	23	23
TOTAL FTPS	30	30	30
FTE WORK-YEARS	31.3	30.3	31.0
AVERAGE EMPLOYMENT	31.0	30.0	31.0
PERSONAL SERVICES	$1,475	$1,488	$1,520

OFFICE OF EQUAL OPPORTUNITY AND ADMINISTRATIVE LAW

TITLE & GRADE	1985	1986	1987
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	23	23	23
TOTAL FTPS	30	30	30
FTE WORK-YEARS	33.4	32.4	30.7
AVERAGE EMPLOYMENT	30.7	30.0	34.0
PERSONAL SERVICES	$1,571	$1,556	$1,620

OFFICE OF PROGRAM ENFORCEMENT

TITLE & GRADE	1985	1986	1987
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	7	7	7
GS/GM-14 AND BELOW	23	22	22
TOTAL FTPS	31	30	30
FTE WORK-YEARS	32.4	30.2	31.0
AVERAGE EMPLOYMENT	32.7	30.6	31.0
PERSONAL SERVICES	$1,552	$1,480	$1,505

SUMMARY OFFICE OF GENERAL COUNSEL

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV GENERAL COUNSEL	1	1	1
ES-5 DEPUTY GENERAL COUNSEL	1	1	1
ES-4 DEPUTY GENERAL COUNSEL	1	1	1
ES-5 ASSOCIATE GENERAL COUNSEL	-	1	1
ES-4 ASSOCIATE GENERAL COUNSEL	6	5	5
GS/GM-15	64	66	66
GS/GM-14 AND BELOW	136	137	137
TOTAL FTPS	210	212	212
FTE WORK-YEARS	220.6	214.4	220.4
AVERAGE EMPLOYMENT	220.7	216.0	225.0
PERSONAL SERVICES	$10,751	$10,172	$10,790

OFFICE OF LITIGATION

TITLE & GRADE	1985	1986	1987
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	4	4	4
GS/GM-14 AND BELOW	16	16	16
TOTAL FTPS	21	21	21
FTE WORK-YEARS	21.3	21.2	22.1
AVERAGE EMPLOYMENT	22.1	21.4	22.3
PERSONAL SERVICES	$1,051	$1,050	$1,080

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 10: FIELD LEGAL SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Total Budget Activity....................	$11,498	$11,988	$11,590	$12,382	+$792
Full-Time Permanent Appointments, End of Year..............................	246	251	247	245	-2
Full-Time Equivalents....................	267.7	268.5	256.2	266.4	+10.2
Staff-Years..............................	269.7	270.8	257.8	268.0	+10.2

SUMMARY OF BUDGET REQUEST

The 1987 request is for $12,382 thousand and 245 positions or an increase of $792 thousand and a decrease of 2 positions from the 1986 levels. The increased funding is almost exclusively for personal services costs consistent with a proposed increase of 10.2 staff-years. The proposed staff-year increase is to provide part-time staff to those offices which have been impacted the greatest by the decentralization of certain Office of General Counsel functions such as title reviews for the single family assignment program, litigation of assignment cases and Title I defensive foreclosure cases. This will enable these offices to ensure that the full range of legal services are available on a continuing basis.

FUNDING

The following table shows actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Personal Services..........................	$10,752	$11,281	$10,799	$11,557	+$758
Travel and Transportation of Persons......	150	149	157	164	+7
Transportation of Things...................	11	15	13	13	...
Rent, Communications and Utilities.........	182	178	195	203	+8
Printing and Reproduction..................	47	32	38	48	+10
Other Services.............................	75	102	107	123	+16
Supplies and Materials.....................	71	79	76	86	+10
Equipment..................................	210	146	199	182	-17
Insurance and Indemnities..................	...	6	6	6	...
Total....................................	11,498	11,988	11,590	12,382	+792

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $11,498 thousand were $1,016 thousand less than the previous estimate of $12,514 thousand. The decrease consists of $1,044 thousand due to lower than anticipated personal services costs, partially offset by obligations of $28 thousand more than anticipated for support costs.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$11,988
Add amendment to restore proposed five percent pay reduction	+516
Deduct effect of general repricing	-421
Deduct mandated funding reduction	-493
Current 1986 estimate	11,590

The changes to the funding requirements for 1986 are the result of the following:

-- A decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $516 thousand;

-- Reassessment of funding needs based on more recent cost and requirements data results in a reduction of $421 thousand. The decrease is principally due to revised average salary costs; and

-- This activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $493 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$11,498	$11,590
Changes to terminal leave and severance pay	-14	+30
Changes in personal services costs due to changes in average employment	-474	+427
Changes in average personal services costs	+535	+301
All other changes	+45	+34
Total obligations	11,590	12,382

There are net increases of $47 thousand to personal services costs in 1986 and $758 thousand in 1987. The changes are due to the following:

-- changes to terminal leave and severance pay will result in a decrease of $14 thousand in 1986 and an increase of $30 thousand in 1987;

-- changes in average employment result in a decrease of $474 thousand in 1986 and an increase of $427 thousand in 1987;

-- changes in average personal services costs result in increases of $535 thousand in 1986 and $301 thousand in 1987.

There are net increases in non-personal services costs of $45 thousand in 1986 and $34 thousand in 1987. The increases are the result of changes for support costs such as travel, printing, supplies and equipment procurement.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Regional Counsel, Chief Counsel and Chief Attorneys are the chief legal officers of their respective offices. They receive operational direction and administrative support from their Regional Administrators and Field Office Managers, but on legal matters they receive professional advice and direction from the General Counsel, the chief legal officer of the Department.

The Regional Counsel acts as staff legal adviser to the Regional Administrator. Associate Regional Counsel serve as specialists and lead attorneys for areas such as litigation, administrative law, fair housing and equal opportunity enforcement and private market financing. In addition, due to the 1983 consolidation, the former Area Counsel position in most of the Regional cities is now an Associate Regional Counsel position, with responsibility for the program legal services related to the Housing and Community Planning and Development functions previously performed by the Area Offices. Attorney-Advisers assist the Associates in handling the volume of work involved in each of the areas above. The remainder of the staff is involved in support functions to the professional staff.

Each Regional Office has a legal staff and legal support staff headed by a Regional Counsel. A typical staffing pattern for the Regional Counsel's office would include:

Position	Number
Regional Counsel	1
Associate Regional Counsel	4
Attorney-Advisers	6
Secretary	1
Clerk-Stenographers	3
Total	15

The Chief Counsel functions as the staff legal adviser to the Manager of a Field Office and has authority and responsibility for all legal activities delegated to the Field Office. The Chief Counsel, together with the Attorney-Advisers in the office, performs program legal services in areas such as multifamily mortgage insurance, home mortgage insurance, Community Development Block Grants, Low-Rent Public Housing, Section 202 Direct Loan Program for the Elderly and Handicapped, and the various "Section 8" programs. The remainder of the staff is involved in support functions to the professional staff.

Most Field Offices have a small legal staff and legal support staff headed by a Chief Counsel. A typical staffing pattern for the Chief Counsel's office would include:

Position	Number
Chief Counsel	1
Attorney-Advisers	2
Legal Clerk/Secretary	1
Total	4

The Chief Attorney acts as the staff legal adviser to the Manager of a Field Office that has responsibility for multifamily and single-family housing programs, and performs the same functions as a Chief Counsel for these programs. A Chief Attorney is the sole Attorney in an office, and generally receives secretarial support from a secretary assigned to another section of the office.

2. WORKLOAD

Regional Counsel

a. Litigation. This is a major responsibility exercised by the Regional Counsel. It involves working with U.S. Attorneys in handling cases to which HUD is a party and working with local government or private attorneys in handling cases involving HUD-assisted local governmental activities. The caseload covers the full range of the Department's program responsibilities, such as subsidized and unsubsidized housing, mortgage insurance, property management and disposition, Community Development Block Grants, and Urban Development Action Grants (UDAG), as well as cases involving claims collection, environmental issues, civil rights, landlord-tenant rights, architectural and construction contract disputes, and eligibility for relocation payments. The Regional Counsel also handles judicial foreclosure of multifamily projects.

b. Program Legal Services. As a result of the 1983 consolidation of Regional and Area Offices in the same cities, Regional Counsel is now responsible for providing the program legal services for Housing and Community Planning and Development. These functions are the same as those performed by the attorneys in the Field Offices, and are described below under Chief Counsel.

c. Fair Housing and Equal Opportunity Enforcement. This function involves the provision of legal services with respect to the enforcement of civil rights laws and equal opportunity requirements applicable to HUD programs. These include nondiscrimination in HUD-assisted programs, fair housing, equal employment opportunity, and increased employment opportunities for lower-income persons in connection with HUD-assisted projects. The Regional Counsel also makes the initial determination of the substantial equivalency status of state statutes and local ordinances on fair housing. The effort to eliminate systemic discrimination in housing, and the Department's strengthened procedures for Title VI compliance reviews have increased the FHEO workload of the Regional Counsel. In addition, Regional Counsel are members of the Desegregation Task Forces in their Regions which are responsible for coordinating efforts to eliminate racial segregation which is the result of official action in Public Housing.

d. Administrative Legal Services. This function includes the rendering of advisory opinions on standards of conduct questions; the approval of claims under the Federal Tort Claims Act and the Military Personnel and Civilian Employees' Claims Act of 1964; the rendering of decisions with respect to the Freedom of Information Act and the Privacy Act of 1974; the provision of services in connection with HUD personnel actions, including the provision of agency representation at grievance and adverse action hearings; and the provision of services related to HUD procurement and disbursement activities. Regional Offices are also involved in reviewing proposed state legislation that may be relevant to HUD. In addition, Regional Counsel provides advice to the Regional Office of Inspector General concerning audits and investigations, and the use of administrative sanctions.

e. Private Market Financing. The Office of Regional Counsel provides legal advice to the housing division on private market financing. The function is undergoing a major change this year with the elimination of private market financing. A major workload is anticipated, beginning in 1985, with the conversion of contracts to the full capital funding proposal.

f. Field Office Monitoring. Regional Counsel is also responsible for the monitoring of Chief Counsel's and Chief Attorney's offices, and for providing staff support when necessary.

Chief Counsel

The Chief Counsel provides legal services required in connection with the full range of field office program and project activities.

a. Housing Programs. The Chief Counsel provides all legal services required in connection with HUD's insurance of mortgages on multifamily properties. This includes the representation of the Department at initial and final closings of projects, including those financed with tax-exempt bonds. The closing attorney is responsible for assuring the legal sufficiency of all closing documents, e.g., regulatory agreements, corporate charters, partnership agreements, title policies, surveyor plats and certificates, mortgages or deeds of trust and notes, and building loan agreements. With respect to the Section 8 Housing Assistance Payments program, Certificates and Vouchers, the Chief Counsel is responsible for reviewing the applications for legal sufficiency and preparing all contractual documents required with respect to the provision of subsidy assistance. In the conventional Public Housing Program, the Chief Counsel has been responsible for review of organizational transcripts; review of applications; and preparation of preliminary loan contracts, annual contributions contracts, contracts of sale, and all supporting documentation for these instruments. The Chief Counsel will also participate in the conversion of public housing contracts to the new basis of financing as mentioned under the above section on Private Market Financing. The Chief Counsel also reviews Section 202 Direct Loan applications and conducts initial and final closings of Section 202 projects. In the new Housing Development Grants program, field counsel are required to review the legally binding commitments, and in some cases are also involved in the review of applications.

The Chief Counsel provides a legal review of complicated financing proposals for multifamily projects involving transfers and workouts. The Chief Counsel furnishes legal assistance in connection with the foreclosure of projects in nonjudicial foreclosure jurisdictions, the management and disposition of acquired properties, debt collection and bankruptcies. The Chief Counsel also provides a wide range of legal services in connection with the low-rent public housing projects in occupancy, such as the preparation of contracts for modernization of projects, other contract amendments, and landlord-tenant matters. In addition, the Chief Counsel reviews the title evidence for all single family assignments and some conveyances and provides legal advice and guidance on other single family activities.

b. Community Planning and Development. This function includes the provision of legal services required in connection with the Community Development Block Grant program. The Chief Counsel reviews aspects of Block Grant packages and prepares contracts, amendments, special contract conditions, and sanctions imposed for noncompliance with program requirements. The Chief Counsel is also responsible for making legal determinations relative to environmental and labor requirements, for rendering decisions in connection with Field Office consideration of relocation appeals by displaced persons, and for providing legal advice concerning CPD monitoring activities. In addition, the Chief Counsel provides legal support to the Section 312 Rehabilitation program.

The Chief Counsel provides legal assistance to the Urban Development Action Grants (UDAG) program, with emphasis on the review of applications and legally binding commitments submitted by developers, lenders, public bodies, and other participants in UDAG projects. In addition, the Chief Counsel performs legal services in connection with the monitoring and closeout of UDAG projects upon the completion of construction.

c. Administrative Legal Services. This function includes the provision of legal services with respect to the Freedom of Information Act and the Privacy Act of 1974; advice concerning the disposition of reports of the Office of Inspector General; legal guidance in connection with the administration of Field Office claims collection activities; and legal services relating to the use of administrative sanctions such as Temporary Denials of Participation. As requested by the Office Manager, the Chief Counsel provides legal advice concerning HUD personnel actions. In addition, some Regional Counsel have redelegated to Chief Counsel the responsibility for Title I claims collection, including the referral of claims to the U.S. Attorneys.

Chief Attorneys

The Chief Attorneys provide legal services similar to those provided by Chief Counsel in connection with the housing programs and project activities conducted by their field office.

The following table reflects the utilization of field counsel and supporting staff. The table indicates the number of staff-years by program subject matter.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Housing:			
Non-Insured	78.0	74.2	77.0
Insured	66.3	60.0	62.2
Subtotal	144.3	134.2	139.2
Community Planning and Development	22.0	17.0	20.0
Fair Housing and Equal Opportunity	5.6	6.6	7.4
Administrative Law:			
FOIA, MSPB, Tort Claims, IG, etc	23.2	23.4	23.7
Litigation	58.9	60.5	60.9
Debt Collection	12.5	13.1	13.8
Support:			
General Direction, Monitoring, etc	1.0	1.0	1.0
Training	1.0	1.0	1.0
Total Operating Staff-Years	268.5	256.8	267.0
Terminal Leave	1.2	1.0	1.0
Grand Total	269.7	257.8	268.0

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-time permanent appointments, End of year	246	251	247	245	-2
Staff-Years	269.7	270.8	257.8	268.0	+10.2

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-time permanent	245.1	244.3	246.3
Temporary and Part-Time Employees	22.8	12.1	20.3
Overtime	.6	.4	.4
Terminal leave	1.2	1.0	1.0
Total Staff-Years	269.7	257.8	268.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years among Regional and Field Offices.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Field Legal Services

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Counsel..............	137	140	139	138	-1
Chief Counsel.................	99	101	100	99	-1
Chief Attorneys...............	10	10	8	8	....
Total......................	246	251	247	245	-2

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Counsel..............	153.2	151.6	144.4	150.1	+5.7
Chief Counsel.................	105.1	108.1	103.1	107.2	+4.1
Chief Attorneys...............	11.4	11.1	10.3	10.7	+0.4
Total......................	269.7	270.8	257.8	268.0	+10.2

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD LEGAL SERVICES
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT

(PERSONAL SERVICES IN THOUSANDS)

REGIONAL ADMINISTRATOR

REGIONAL COUNSEL

TITLE & GRADE	1985	1986	1987
GS/GM-15	13	13	13
GS/GM-14 AND BELOW	124	126	125
TOTAL FTPS	137	139	138
FTE WORK-YEARS	150.0	143.4	149.2
AVERAGE EMPLOYMENT	151.0	144.4	150.1
PERSONAL SERVICES	$6,021	$6,047	$6,472

CHIEF COUNSEL

TITLE & GRADE	1985	1986	1987
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	97	98	97
TOTAL FTPS	99	100	99
FTE WORK-YEARS	107.0	103.8	107.9
AVERAGE EMPLOYMENT	107.9	104.4	108.5
PERSONAL SERVICES	$4,301	$4,374	$4,681

CHIEF ATTORNEYS

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	10	8	8
TOTAL FTPS	10	8	8
FTE WORK-YEARS	10.7	9.0	9.3
AVERAGE EMPLOYMENT	10.8	9.0	9.4
PERSONAL SERVICES	$430	$378	$404

SUMMARY
FIELD LEGAL SERVICES

TITLE & GRADE	1985	1986	1987
GS/GM-15	15	15	15
GS/GM-14 AND BELOW	231	232	230
TOTAL FTPS	246	247	245
FTE WORK-YEARS	267.7	256.2	266.4
AVERAGE EMPLOYMENT	269.7	257.8	268.0
PERSONAL SERVICES	$10,752	$10,799	$11,557

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 11: INSPECTOR GENERAL

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Total Budget Activity..............	$23,870	$23,753	$23,548	$24,897	+$1,349
Full-Time Permanent Appointments, End of Year.........................	485	460	460	460	...
Full-Time Equivalents................	487.5	484.7	474.2	484.7	+10.5
Staff-Years..........................	489.5	486.9	476.0	486.9	+10.9

SUMMARY OF BUDGET REQUEST

The 1987 request is for $24,897 thousand and 460 positions, an increase of $1,349 thousand when compared to 1986.

The funding increase consists of $828 thousand in personal services costs for a 10.9 staff-year increase and $521 thousand for support costs; principally travel and automated data processing services.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services....................	$19,372	$18,594	$19,035	$19,863	+$828
Travel and Transportation of Persons.	1,811	1,928	1,683	1,778	+95
Transportation of Things.............	26	47	30	30	...
Rent, Communications and Utilities...	405	220	416	447	+31
Printing and Reproduction............	105	93	84	109	+25
Other Services.......................	2,074	2,710	2,223	2,593	+370
ADP Services.......................	(1,577)	(1,747)	(1,516)	(1,823)	(+307)
Supplies and Materials...............	31	49	33	37	+4
Equipment............................	46	112	44	40	-4
Total..............................	23,870	23,753	23,548	24,897	+1,349

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $23,870 thousand are $858 thousand less than the previous estimate of $24,728 thousand. The $858 thousand decrease consists of a decrease of $346 thousand of personal services costs due to lower than anticipated staff usage and average salary costs, and a decrease of $512 thousand due to lower than anticipated support costs; principally for contractual support.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$23,753
Add amendment to restore proposed five percent pay reduction	+850
Add action by the Congress on the 1986 request for "Salaries and Expenses"	+520
Deduct effect of general repricing	-750
Deduct mandated funding reduction	-825
Current 1986 estimate	23,548

The changes to the funding requirements for 1986 are the result of the following:

- -- A decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $850 thousand;
- -- The addition by the Congress of thirteen staff-years in support of and concurrent with approval by the Congress of higher program levels than requested in the budget requires an increase of $520 thousand;
- -- An assessment of funding needs based on more recent cost and requirements data results in a reduction of $750 thousand. The major decreases are in the areas of automated data processing services and travel; and
- -- This activity's share of $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $825 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$23,870	$23,548
Changes to terminal leave and severance pay	-20	+63
Changes in personal services costs due to changes in average employment	-534	+422
Changes to personal services costs due to changes in average cost per staff-year	+217	+343
Changes in travel costs	-128	+95
Changes in communications and equipment rental costs	+11	+31
Changes in printing costs	-21	+25
Changes in automated data processing services	-61	+307
Changes to all other costs	+214	+63
Total obligations	23,548	24,897

There is a net decrease in personal services costs of $337 thousand in 1986 and a net increase of $828 thousand in 1987. They reflect the following:

- -- anticipated changes to terminal leave and severance pay result in a decrease of $20 thousand in 1986 and an increase of $63 thousand in 1987;

-- it is estimated that a decrease of 13.5 staff-years in 1986 will reduce obligations $534 thousand and an increase of 10.9 staff-years in 1987 will require an increase of $422 thousand;

-- changes to the average cost per staff-year due to promotions, within-grade increases and changes to the relative mix of permanent full-time, part-time and temporary staff are expected to result in increases of $217 thousand in 1986 and $343 thousand during 1987.

There are net increases of $15 thousand in non-personal services costs in 1986 and $521 thousand during 1987. They reflect the following:

-- Changes in travel costs result in a decrease of $128 thousand in 1986 and an increase of $95 thousand in 1987;

-- Rate increases for communications and office equipment rental are expected to result in increases of $11 thousand in 1986 and $31 thousand in 1987;

-- The printing of selected items has been reduced or deferred in 1986 due to funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). These actions result in a reduction in printing costs of $21 thousand in 1986 and an increase of $25 in 1987;

-- estimates for automated data processing services based on actual costs incurred in 1985 result in a reduction of $61 thousand in 1986. An increase of $307 thousand in 1987 is required to enhance two currently operational systems; the Audit Planning and Operations System (APOS) and the Automated Audits Management System (AAMS); and

-- Changes for all other items result in increases of $214 thousand in 1986 and $63 thousand in 1987.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Inspector General is the Department's focal point for independent review of the integrity of Departmental operations and, therefore, is the central authority concerned with the quality, coverage, and coordination of the audit, investigation, and security services of the Department. In directing these review activities, the Inspector General emphasizes both the protective and constructive aspects of these services as a tool of management within a comprehensive Departmental effort to attain improved management effectiveness. The Office of Inspector General (OIG) has authority to inquire into all program and administrative activities of the Department and the related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be in the nature of audits, investigations, or such other reviews as may be appropriate in the circumstances.

2. WORKLOAD

The principal workload of the OIG consists of audits and investigations.

The Inspector General Act of 1978 requires the Inspector General to conduct, supervise, coordinate, and provide policy direction for audits and investigations relating to Departmental programs and operations; and to promote economy and efficiency in the administration of, or to prevent and detect fraud and abuse in, HUD programs and operations.

The Budget and Accounting Procedures Act of 1950 requires agency heads to establish and maintain appropriate internal audit capability to provide effective control over funds, property, and other assets. This function is also handled within the Office of Inspector General.

OIG also has the authority to conduct investigations as necessary concerning criminal matters and to refer such cases to the Department of Justice or make related inquiries to enable the Department to impose administrative remedies in connection with violations of the Department's regulations.

Selected examples of the types of work conducted and planned follow:

TYPE OF WORK	1985	1986	1987
Internal Audits and Surveys	91	82	82
External Audits	236	245	243
Monitoring Independent Public Accountants a/	24.3	29.1	32.0
Assistance to U.S. Attorneys and Special Assignments a/	23.9	28.4	29.0
Operational Surveys	...	2	2
Investigations--Case Openings	1,449	1,614	1,644
Special Projects	15	25	25
Personnel Security Investigations	876	870	770
Hotline Calls Received	338	350	350

a/ Figures shown are staff-years.

a. Audits

The OIG audit work standards, using the pilot audit technique, are based on a combination of technical estimating and work sampling methods. Pilot audits provide for the direct input of professional staff, as in technical estimating, as well as for measurement of an actual on-the-job situation, as in work sampling.

In 1978, at the request of the Secretary, OIG established an Audits Management System (AMS) to eliminate the backlog of unresolved audit findings and to ensure that all future audit findings would be acted upon within specified time frames. The AMS provides that external and internal audit findings be resolved within 120 days from the date of the audit report. A total of 5,173 audit findings were reported in 1985.

OIG also conducts Operational Surveys in selected HUD field offices for the purpose of seeking out indications of fraud and program abuse and determining the need for full-scale audits and investigations.

b. Investigations

Workload consisting of a combination of criminal and administrative investigations is the primary factor in determining staffing requirements. An automated Investigative Case Management System enables the Office to track the status of an investigation from opening through to final disposition. The OIG also has the capability of reviewing time expended on investigative matters to determine if efficient use of resources is being accomplished.

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters	107	97	97	97	...
Field	378	363	363	363	...
Total	485	460	460	460	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Headquarters	106.7	100.2	98.0	100.5	+2.5
Field	382.8	386.7	378.0	386.4	+8.4
Total	489.5	486.9	476.0	486.9	+10.9

The staff-year reduction in 1986 reflects the impact of the funding reduction mandated by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The increase in 1987 restores a level consistent with workload requirements.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	485.8	473.3	483.8
Temporary and Part-Time Employees	1.7	.9	.9
Overtime	.4	.3	.3
Terminal Leave	1.6	1.5	1.9
Total Staff-Years	489.5	476.0	486.9

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within the Office of Inspector General and are followed by a discussion of the functions and staffing requirements for each of those organizations.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Inspector General	5	6	6	6	...
Audit	343	327	327	327	...
Headquarters	(45)	(40)	(40)	(40)	(...)
Field	(298)	(287)	(287)	(287)	(...)
Investigation	101	96	96	96	...
Headquarters	(21)	(20)	(20)	(20)	(...)
Field	(80)	(76)	(76)	(76)	(...)
Fraud Control and Management Operations	36	31	31	31	...
Total Full-Time Permanent Appointments, End of Year	485	460	460	460	...
Headquarters	(107)	(97)	(97)	(97)	(...)
Field	(378)	(363)	(363)	(363)	(...)

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Inspector General	5.8	6.0	6.0	6.0	...
Audit	345.4	346.7	339.0	346.2	+7.2
Headquarters	(45.4)	(41.2)	(41.0)	(42.0)	(+1.0)
Field	(300.0)	(305.5)	(298.0)	(304.2)	(+6.2)
Investigation	103.8	101.6	100.0	102.7	+2.7
Headquarters	(21.0)	(20.4)	(20.0)	(20.5)	(+.5)
Field	(82.8)	(81.2)	(80.0)	(82.2)	(+2.2)
Fraud Control and Management Operations	34.5	32.6	31.0	32.0	+1.0
Total Staff-Years	489.5	486.9	476.0	486.9	+10.9
Headquarters	(106.7)	(100.2)	(98.0)	(100.5)	(+2.5)
Field	(382.8)	(386.7)	(378.0)	(386.4)	(+8.4)

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	5	6	6	6	...
Staff-Years	5.8	6.0	6.0	6.0	...

No additional staff is requested for 1987.

The Immediate Office of the Inspector General consists of the Inspector General, Deputy Inspector General, one special assistant, and three secretaries.

The Inspector General reports directly to the Secretary and has authority to inquire into all program and administrative activities of the Department. The inquiries--which are accomplished through a comprehensive plan of selected audits, investigations, surveys, reviews, and security services--are designed to provide constructive advice for Department management, to promote economy and efficiency in the administration of HUD programs, or to prevent and detect fraud and abuse in HUD programs and operations.

2. OFFICE OF AUDIT

a. Employment and Responsibilities

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	343	327	327	327	...
Headquarters	(45)	(40)	(40)	(40)	(...)
Field	(298)	(287)	(287)	(287)	(...)
Staff-Years	345.4	346.7	339.0	346.2	+7.2
Headquarters	(45.4)	(41.2)	(41.0)	(42.0)	(+1.0)
Field	(300.0)	(305.5)	(298.0)	(304.2)	(+6.2)

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

No additional staff is requested for 1987.

The Office of Audit, headed by an Assistant Inspector General, is responsible for planning, conducting, supervising, and coordinating a program of audits relating to the programs and operations of the Department through Headquarters and Field audit staffs. The Office of Audit is also responsible for:

-- recommending corrective actions concerning problems, abuses, and deficiencies and reporting on the progress made in implementing such corrective actions;

-- recommending policies for, and conducting, supervising or coordinating other activities carried out or financed by the Department for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, programs and operations;

-- assuring that audits of Departmental organizations, programs, activities and functions performed by the OIG and non-Federal auditors are carried out in accordance with standards established by the Comptroller General of the United States;

-- establishing guidelines for determining when it is appropriate to use non-Federal auditors to perform audits of programs or operations financed by the Department;

-- assuring that an adequate system exists for the follow-up of audit recommendations and for reporting the results to the OIG and Departmental management; and

-- providing a focal point for GAO liaison and contact with the Department. As such, the office coordinates audit efforts with GAO, keeps the Secretary and other HUD officials informed on GAO audit progress and results, coordinates and advises on Departmental responses to GAO reports, and tracks recommended corrective actions.

The Office of Audit's audit program is comprised of the following activities:

(1) Surveys. Surveys, which are conducted in a relatively short period of time, are fact-finding studies of an entity or activity to ascertain the nature of the activity and the control which management exercises in carrying out its mission. The survey data are evaluated to determine if further audit work is necessary and what its priority would be.

(2) Internal Audits. Internal audits are sometimes called program audits, operational audits, performance audits, or management audits. An internal audit is defined as an independent in-house review and examination of HUD programs, operations, and management controls, including a systematic review or appraisal to determine and report whether: (a) financial operations are properly conducted; (b) financial reports are presented fairly; (c) applicable laws and regulations have been complied with; (d) resources are managed and used in an economical and efficient manner; and (e) desired results and objectives are being achieved in an effective manner.

(3) External Audits. External audits (also known as entity audits, project audits, cost or financial audits) are made of the records and performances of grantees, borrowers, mortgagors, mortgagees, and other contractors in accordance with generally accepted auditing standards and the GAO standards for audit of governmental organizations, programs, activities, and functions. These audits are made as a means of ascertaining the degree of compliance with the statutes, regulations, and terms and conditions of the agreements under which Federal funds are made available. Determination is also made as to the appropriateness of the disposition of funds granted, loaned, or contributed.

(4) Monitoring. The monitoring activities are related to the review of the adequacy of the scope of audits performed by independent public accountants or by state or local audit agencies, the acceptability of the resultant reports on audit and on-site reviews of the audit working papers, and a limited verification of audit work performed. Other monitoring activities include Single Audit Act audit reports when HUD is designated as the cognizant agency.

(5) Hotlines, Congressional and Citizens Complaints Reviews. These reviews are conducted as a result of any written or oral communication received concerning the possible existence of an activity reasonably believed to be in violation of any laws, rules or regulations which leads to mismanagement or waste of government resources. This workload can be found on page D-11 in the chart for internal audits under Assistance to U.S. Attorneys and Complaints.

(6) General Accounting Office (GAO) Liaison. These activities include the receipt, review and distribution of all GAO reports, summarizing these reports for HUD management, monitoring and evaluating HUD's responsiveness to GAO recommendations, clearing Departmental correspondence concerning GAO reports to Congress, OMB and GAO, acting as focal point for all new and ongoing GAO work in HUD, and coordinating work with GAO to avoid duplicative efforts. This work is conducted in response to the ongoing work of the GAO staff in residence at HUD as well as the work of GAO field offices around the country.

b. Workload and Staffing Needs

The 1987 budget reflects the Office of Audit's continuing effort to identify systemic problems in the Department's programs rather than attack them on a piecemeal basis. Emphasis has been placed on performing comprehensive audits designed to identify nationwide problems instead of performing audits to identify regional problems. The total amount of staff time needed to perform audits has remained the same while the total number of audits to be performed has increased. However, the number of audit reports issued has declined slightly because the Regions provide input for one nationwide report and do not issue separate regional reports.

The 1987 workload includes coverage of the following external and internal audit activities and other audit-related work:

(1) Mandated Audits and Other Required Work. We estimate that 35 percent of our available staff resources will be used in mandated or other required audit efforts. This work is of a high priority and must be performed to satisfy mandates or address recognized problems within HUD or governmentwide.

Mandated work includes requirements from the Inspector General Act of 1978 and various OMB memoranda and circulars. Other work which we consider required includes work that emanates from the Congress, GAO, the President's Council on Integrity and Efficiency, and HUD regulations. Examples of these activities are OIG work in monitoring year-end spending, OMB Circular A-123 responsibilities, debt and claims collection activities, and monitoring IPA audit work.

(2) Request Work.

(a) Pricing Proposal Evaluations. These evaluations are made for the purpose of determining the reasonableness of estimates of costs and profits supporting all types of proposals submitted by contractors in connection with award, administration modification, or improvement of government contracts. The evaluations are required to be completed generally within two weeks of the request.

(b) Request Audits by Program Officials. Requests made by program officials are carefully evaluated. Where an audit appears justified, it is scheduled to start within 30 days of the request. Grants under $50,000 are not audited when there are no unusual circumstances.

(c) Final Project Audits. These audits are generally performed at the request of program officials and should be completed in time to meet program officials' current fiscal requirements.

(3) Scheduled Audits. Plans include an allocation of resources for the following types of audits:

(a) Multifamily Housing Audits. It is estimated that 4 multifamily mortgagor cost audits and 22 multifamily mortgagor operations audits will be performed in field offices having multifamily activities during 1987.

(b) Mortgagee Audits. It is estimated that 20 audits will be performed.

(c) Community Development Block Grant Recipients. Although grant recipients are required to obtain their own audits, the Department plans to audit approximately 31 recipients to gain knowledge of the operating problems they encounter and to improve the techniques for monitoring IPAs which audit the Community Development Block Grant program recipients.

(d) Low-Rent Housing Program. Public Housing Authorities (PHAs) with 5,000 or more units in management have been audited by HUD. IPAs now perform the fiscal audits of these PHAs; however, HUD will continue to perform operational audits of those authorities which continue to have management problems. All other PHAs are audited by IPAs.

In addition, allocations of time have been provided to cover the audit requests of program officials, in line with previous audit experience in these areas. The requests are usually for audits of problem PHAs which have not been retained for audit by OIG and of insured mortgagors, management agents, and mortgagees.

(4) Monitoring Work of IPAs. There will be approximately 7,000 entities in the universe of participants in the Community Development Block Grant and Low-Rent Housing programs subject to IPA audits. Many of the Community Development Block Grant audits may be made annually or, if not, must be made on a biennial basis. The Low-Rent Housing audits are made biennially. On this basis, it is estimated that there will be about 5,000 such audits to monitor each year.

(5) Follow-up on Audit Findings.

(6) Cyclical Coverage. Audits of ongoing HUD administrative and program operations and front-end internal audits of new programs are conducted on a three- to five-year basis.

(7) Assistance to U.S. Attorneys and Complaints.

(8) Operational Surveys.

The allocation of resources to external and internal audits is shown in the following tables.

OFFICE OF INSPECTOR GENERAL
ASSISTANT INSPECTOR GENERAL - AUDIT
SCHEDULE OF AUDITS COMPLETED IN 1985 AND TO BE PERFORMED IN 1986 and 1987

	1985	1986	1987
External Audits and Evaluations..........	236	245	243
Internal Audits and Surveys..............	91	82	82

A detailed comparison of the three years is as follows:

EXTERNAL AUDITS AND EVALUATIONS	ACTUAL 1985 NO.	ACTUAL 1985 STAFF-YEARS	ESTIMATE 1986 NO.	ESTIMATE 1986 STAFF-YEARS	ESTIMATE 1987 NO.	ESTIMATE 1987 STAFF-YEARS	INCREASE + DECREASE - 1987 vs 1986 NO.	INCREASE + DECREASE - 1987 vs 1986 STAFF-YEARS
Community Planning and Development								
Entitlement Block Grants.................	18	9.5	14	7.4	13	6.7	-1	-.7
Discretionary and Small Cities Grants....	5	2.3	4	2.0	4	1.8	...	-.2
UDAG.....................................	11	7.7	10	7.0	10	7.0	...	...
Accounting System Evaluations............	54	1.1	46	1.2	46	1.2	...	...
Other a/.................................	4	2.7	4	2.6	4	2.5	...	-.1
Total Community Planning and Development.	92	23.3	78	20.2	77	19.2	-1	-1.0
Housing								
Single-Family Housing....................	8	4.1	20	2.9	20	2.9	...	...
GNMA.....................................	3	1.3	6	.7	6	.7	...	...
Mortgagee................................	9	20.5	21	32.1	20	31.5	-1	-.6
Multifamily Housing......................	32	11.6	40	14.9	40	14.7	...	-.2
Public and Indian Housing................	33	37.3	24	28.0	24	28.0	...	...
Total Housing............................	85	74.8	111	78.6	110	77.8	-1	-.8
Other b/.................................	...	...	1	.5	1	.5	...	...
Centralized Programs c/..................	59	5.9	55	5.5	55	5.5	...	...
Total External Audits and Evaluations............................	236	104.0	245	104.8	243	103.0	-2	-1.8

a/ Includes miscellaneous CDBG audits, cost allocation plan, and categorical grants and loan audits.

b/ Includes Fair Housing and Equal Opportunity, Policy Development and Research and other miscellaneous programs.

c/ Includes pricing proposals, evaluations, and cost-type contracts for technical assistance and Research and Technology.

SCHEDULE OF AUDITS COMPLETED FOR 1985 AND TO BE PERFORMED IN 1986 AND 1987 (Continued)

INTERNAL AUDITS, SURVEYS, AND OPERATIONAL REVIEWS	ACTUAL 1985		ESTIMATE 1986		ESTIMATE 1987		INCREASE + DECREASE - 1987 vs 1986	
	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS	NO.	STAFF-YEARS
Single-Family Housing	9	13.4	13	17.5	13	17.3	...	-.2
GNMA	1	.2	2	.4	2	.4	...	...
Multifamily Housing	11	14.8	13	15.7	13	15.7	...	...
Public and Indian Housing	23	23.5	16	19.4	16	19.4	...	...
CPD	16	11.5	14	11.6	13	11.0	-1	-.6
Administration	22	14.8	11	10.2	13	11.0	+2	+.8
ADP	4	2.1	5	1.4	5	1.4	...	...
FHEO	1	.2	1	.5	1	.5	...	...
PD&R	1	.1	1	.1	1	.1	...	...
Other a/	3	2.8	3	1.9	2	1.6	-1	-.3
Dept.-Wide Assistance Activities:								
Monitoring IPA Work (Including Attachment P)	...	24.3	...	29.1	...	32.0	...	+2.9
Follow-up on Audit Findings	...	12.7	1	12.2	1	12.0	...	-.2
Departmentwide Assistance-Other	...	2.8	...	3.4	...	3.2	...	-.2
Fraud Control:								
IG Operational Surveys	...	...	1	2.0	1	1.0	...	-1.0
Special Operational Surveys	...	6.5	1	2.0	1	2.0	...	...
Assistance to U.S. Attorneys and Complaints	...	23.9	...	28.4	...	29.0	...	+.6
Total-Internal Audits and Surveys	91	153.6	82	155.8	82	157.6	...	+1.8
GRAND TOTAL (Excluding Supervisory and Clerical Support)		257.6		260.6		260.6		...

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

3. OFFICE OF INVESTIGATION

a. Employment and Responsibilities

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year..........................	101	96	96	96	...
Headquarters..........................	(21)	(20)	(20)	(20)	(...)
Field..........................	(80)	(76)	(76)	(76)	(...)
Staff-Years..........................	103.8	101.6	100.0	102.7	+2.7
Headquarters..........................	(21.0)	(20.4)	(20.0)	(20.5)	(+.5)
Field..........................	(82.8)	(81.2)	(80.0)	(82.2)	(+2.2)

No additional staff is requested for 1987.

The Office of Investigation, headed by an Assistant Inspector General, is responsible for the development and implementation of the Department's investigation and security activities. These activities are centrally directed from Washington, D.C., with investigation and security operations, including protective services for the Secretary/Under Secretary, being performed by personnel physically located at HUD Headquarters and in field offices.

The specific functions of the Office include:

(1) Initiating investigations of possible violations of law or regulation and other irregularities in the administration of Department programs and activities. These include investigations of possible criminal violations as may be necessary for prompt administrative action or referral to the Department of Justice and other government agencies.

(2) Keeping appropriate HUD officials informed of the results of its activities and providing top management officials with technical advice in the area of investigations and related matters.

(3) Planning, directing, and supervising investigations and serving as a focal point of reference for all allegations or complaints in the area of investigations activity. This is accomplished by (a) the formulation and development of procedures by Headquarters staff, and (b) the use of centralized case control supervisors in Washington maintaining central supervision and direction over the conduct of each investigation.

(4) Pursuing, documenting, and finalizing investigations in accordance with professional standards. Written reports of findings are made to senior management officials for such management action as the Department deems necessary. Pursuant to generally accepted investigative policy, the Office does not make recommendations for legal or administrative action against individuals or firms which have been investigated by its staff.

(5) Acting as the sole liaison office with the Department of Justice concerning all audit and investigative matters referred to that Department.

(6) Implementing and maintaining protective security measures for the Secretary. The program provides for routine as well as contingency operations and is designed to provide office, travel, and residence security for the Secretary when required. The program includes occasional travel protection for the Under Secretary on HUD official trips when advance information determines a need for contingency operations.

(7) Processing, reviewing, analyzing, and releasing or denying requests for release of investigative information in the OIG under the provisions of the Freedom of Information and Privacy Acts.

(8) Initiating security investigations to determine the suitability, integrity, and loyalty of applicants applying for HUD positions, particularly those which are considered to be "critical-sensitive," such as policymaking positions. The full field investigations are virtually all made by the Office of Personnel Management at the request of HUD.

(9) Evaluating the adequacy of these investigations to determine whether such applicants meet the requirements established under Executive Order 10450, "Security Requirements for Government Employment." The evaluation determines whether further investigation is necessary.

(10) Initiating reinvestigations every five years of incumbents of critical-sensitive positions, when deemed necessary. There are now 653 such positions.

(11) Planning and directing a departmentwide administrative program designed to provide some constraints on dissemination of information or material which is classified as top secret, secret, or confidential. This includes the development and publication of the implementing instructions for the administration in HUD of Executive Order 11356, dated April 6, 1982, "National Security Information."

(12) Performing other functions which require a substantial number of staff-hours including: participating in Operational Surveys in HUD field offices throughout the country; giving Standards of Conduct briefings in all HUD field offices; and providing the Department of Justice with technical and investigative assistance in preparation of Federal court cases involving HUD matters.

b. Workload and Staffing Needs

Investigations vary greatly as to time required for completion. The level of staff effort needed is determined by the length of time required to complete the investigations, which depends on the complexity of issues involved, volume of records examined, number of witnesses interviewed and their availability, length of reports, and travel requirements. In some cases, the complexities and extensive inquiry required necessitate a team of two or more investigators for completion. The Office of Investigation is emphasizing the concentration of resources on cases where criminal and/or administrative action is likely to occur. This policy relies on discussions at the earliest stages of an investigation with prosecutive authorities and HUD action officials so that investigations are conducted only where required.

The following table indicates, by category, the actual number of investigative cases opened during 1985 and provides estimates for 1986 and 1987:

	CASES OPENED - INCLUDES FBI INVESTIGATIONS			
	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Administration	70	80	90	+10
False Statements	890	950	975	+25
Wage Violations	19	20	15	-5
HUD Personnel	84	90	90	...
False Advertising	...	1	1	...
Construction Violations	2	2	2	...
Theft	28	30	35	+5
Charter and Contractual Violations	3	3	3	...
FHA Title I	73	125	125	...
Housing for the Elderly	...	3	3	...
Hatch Act	5	10	10	...
Impersonation	...	2	2	...
Conflict of Interest	25	30	30	...
Bribery	13	20	20	...
Embezzlement	67	70	75	+5
Kickbacks	39	45	50	+5
Applicants for Office of Audit Positions	85	80	70	-10
Applicants for Office of Investigation Positions	22	20	15	-5
Suitability Inquiries	8	10	10	...
Obstruction of Justice	1	1	1	...
Protective Security	15	25	25	...
Total	1,449	1,617	1,647	+30

The total investigation workload (e.g., cases being worked by the OIG) is estimated to be 700 cases per month on average in 1987.

The following table provides historical data on the number of active cases, by month, for the period of 1984 through 1986:

	1984	1985	1986
October	719	725	691
November	708	689	699
December	711	686	691
January	730	672	697
February	728	670	
March	688	689	
April	699	739	
May	686	780	
June	743	765	
July	752	734	
August	739	770	
September	721	736	
Average Active Caseload	719	721	

As of September 30, 1985, there were 148 full field investigations and 25 national agency checks and inquiries in a pending status. From October 1, 1984 to September 30, 1985, personnel security investigations were completed in 866 cases.

There were 694 classified documents in HUD on September 30, 1985. These consisted of 31 top secret, 234 secret, and 429 confidential documents.

The following table reflects the personnel security investigation workload for 1985, 1986, and 1987:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Background Investigations	199	250	250
National Agency Check and Inquiries	461	400	350
Update Background Investigations	10	20	20
National Agency Checks	206	200	150

4. OFFICE OF FRAUD CONTROL AND MANAGEMENT OPERATIONS

a. Employment and Responsibilities

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of Assistant Inspector General	3	3	3	3	...
Fraud Control Division	15	13	13	13	...
Management Information Division	18	15	15	15	...
Total Full-Time Permanent Appointments, End of Year	36	31	31	31	...
Total Staff-Years	34.5	32.6	31.0	32.0	+1.0

No additional staff is requested in 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

(1) Office of Assistant Inspector General. The Office of Fraud Control and Management Operations, headed by an Assistant Inspector General, is responsible for serving as the focal point for the Department's efforts to minimize the opportunities for and occurrences of fraud, waste, and mismanagement in Departmental programs, activities, and functions. The Office also serves as a base for OIG policy, management, and training operations. Moreover, the Office coordinates and directs the HUD work assignments for the President's Council on Integrity and Efficiency, and assists HUD in implementing OMB Circular A-123 and the Federal Managers' Financial Integrity Act. The Assistant Inspector General directs the work of the Fraud Control Division and the Management Information Division.

(2) Fraud Control Division. The Division provides leadership and coordination and recommends policies designed to prevent and detect fraud in Departmental programs and operations. This Office is responsible for reviewing and analyzing Departmental programs, activities, and functions to identify and isolate those areas considered sensitive to fraud and for developing and implementing strategies to minimize the opportunities for the occurrence of fraud, waste, and mismanagement.

The Fraud Control Division is also responsible for coordinating the activities of the Department's Committee on Fraud, Waste, and Mismanagement. The Committee--which is chaired by the Inspector General and includes representatives from each principal office of HUD, including Regional and Field Offices--advises the Secretary on policy matters relating to minimizing the occurrence of fraud, waste, and mismanagement in HUD-financed operations.

The Division is responsible for researching, developing, and testing innovative systems for the detection of fraud, waste, and mismanagement. It is also responsible for disseminating information and developing methods to train appropriate HUD personnel in fraud detection and prevention activities. Staff members operate as principal liaison with HUD and other governmental agencies on fraud control matters and review proposed legislation and regulations for their impact on the control of fraud, waste, and mismanagement in HUD programs. The Division maintains a 24-hour hotline so that employees, program participants, and the general public can report any indications of fraud, waste, and mismanagement. The Division also serves as the focal point for all GAO and OMB hotline referrals.

(3) Management Information Division. This Division serves as the principal base for OIG policy and internal management operations. As such, the Division is a key advisor to the Inspector General and other top staff regarding the progress of the OIG in accomplishing its goals and objectives, and the development of plans and strategies to improve the operational effectiveness of the OIG.

The Division is responsible for developing OIG policies, standards, and operating procedures; serving as the focal point for reviewing legislation and regulations, and preparing management reports; carrying out the OIG's reports management and forms management responsibilities, as well as serving as a focal point for preparing key management reports, including weekly reports to the Secretary and legislatively required semiannual reports to the Congress; and maintaining the OIG's management information system. In this connection, it has responsibility for maintaining and evaluating key management information used in the OIG's day-to-day operations as well as short- and long-range goals planning.

The Division is responsible for the constructive and efficient utilization of the OIG's human resources. This includes: (a) analyzing training needs and developing plans and courses for appropriate training; (b) coordinating or conducting training courses or briefing sessions for OIG staff; and (c) administering an overall career development program intended to sustain a high level of professional and managerial skills in OIG.

The Division provides day-to-day administrative guidance and support in the areas of personnel administration, travel arrangements, space, property management, communications, records, and related activities for all OIG personnel, both in Headquarters and in the Field. In addition, this Division maintains budgetary and funding records and controls, and prepares financial reports and budget documents for the Inspector General operation.

The Division is also responsible for the processing in Headquarters of all Inspector General files, correspondence, and records pertaining to audits and investigations. In addition, the Division is the Headquarters point of reference with respect to the previous experience of individuals and firms applying to participate in HUD programs and is responsible for maintaining and distributing the Consolidated HUD Debarment and Suspension List covering contractors and grantees.

b. Workload and Staffing Needs

(1) Fraud Control Division. The majority of the Division's time is devoted to the following activities:

(a) Coordinating and conducting the meetings of HUD's Committee on Fraud, Waste and Mismanagement and doing the staff work for the committee's projects. During 1985, there were ten committee projects which were either started or completed. The level of staff work for this activity should increase in 1986 and 1987.

(b) Maintaining the systems for handling and processing HUD Hotline calls and OMB and GAO hotline complaints involving HUD programs. The Division received 338 complaints and closed 363 complaints during 1985. The Division is in the process of automating the Hotline system so that current staff can handle the workload, which should remain level through 1985 and 1986.

(c) Assisting the Department in implementing OMB Circular A-123 and the Federal Managers' Financial Integrity Act of 1982. This includes training programs, developing new guidance or changes thereto, coordinating OIG responses to Departmental requests for information, and assisting the Committee on Fraud, Waste, and Mismanagment in monitoring the process.

(d) Carrying out the tasks, duties, and responsibilities assigned to HUD by the President's Council on Integrity and Efficiency (PCIE). Three PCIE-related activities were completed during 1985. This level of activity should continue through 1987.

(e) Conducting and reporting on an increasing number of evaluations concerning significant trends and patterns of OIG and Independent Public Accountant (IPA) audit reports and investigation cases or other data.

(f) Performing staff work for ad hoc HUD task forces. Principal projects would be assisting in the development of regulations on alien matters; assessing the implementation of accountability monitoring and developing a quality control system for tenant eligibility. The accountability monitoring concept targets HUD's monitoring resources to high-risk program participants and areas with high exposure to fraud. The quality control system is to conduct computer matches that will detect underreported income by tenants and computation errors by local administrators of HUD assisted programs.

(g) Carrying out the Fraud Awareness Program designed to alert HUD personnel and program participants to situations and programs vulnerable to fraud, waste, and mismanagement.

(h) Providing assistance and guidance to Departmental personnel conducting Fraud Vulnerability Assessments which are designed to eliminate opportunities for fraud and abuse in all new or substantially revised HUD programs.

(i) Continuing HUD's involvement, interaction, and exchange of information concerning fraud, waste, and mismanagement with other Federal, state and local government agencies and private sector entities through written articles, meetings, briefings, and presentations.

(2) Management Information Division. Current estimates of the Division workload for 1986 and 1987 are illustrated by the following accomplishments during 1985.

(a) Coordinated the preparation and issuance of two Semiannual Reports to the Secretary and the Congress in accordance with the Inspector General Act of 1978.

(b) Prepared and issued a Digest for each Semiannual Report as part of the OIG/HUD employee awareness program.

(c) Coordinated the preparation and issuance of 10 Inspector General Manual Chapters containing permanent operating instructions, and 10 Inspector General Bulletins containing temporary or special one-time operating instructions. Also maintained, updated, and reviewed HUD handbooks and audit guides describing the organizational functions of the OIG and prescribing procedures to be followed by independent public accountants performing audits of HUD programs.

(d) Coordinated and analyzed 256 draft HUD and regulatory issuances and 154 pieces of legislation. Provided recommendations for improving 110 of these issuances and 51 of the draft legislative bills.

(e) Coordinated the preparation and development of briefing materials and speeches for presentation by the IG concerning the mission, activities, and issues of HUD's OIG.

(f) Maintained the OIG Executive Reporting System and prepared management reports to keep the Inspector General and other key officials informed about the plans, goals, progress, and accomplishments of the OIG.

(g) Provided oversite responsibility for OIG training. This function includes the identification of training needs, development of training programs, and administration of employee career development programs. Employee development included 707 training enrollments which accounted for 2,241 staff days.

(h) Furnished advice and assistance on OIG personnel administration, payroll, budget, and administrative support services.

(i) Processed 104,800 pieces of correspondence, serviced 3,800 audit and 998 investigative files, and maintained alphabetical indices of over 212,000 names of persons and firms involved in either an investigation or audit during the past 21 years. In addition, processed and serviced almost 400 FBI Investigative Reports.

(j) Processed 47,235 reference checks with respect to the previous experience of individuals and firms applying to participate in HUD programs.

Other workload indicators for the Division are detailed below:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Previous Participation Requests............	47,235	48,000	48,000	...
Correspondence............................	104,800	105,000	106,000	+1,000
Index Cards...............................	10,803	11,000	11,200	+200
Reports...................................	5,198	5,300	5,325	+25
FBI.......................................	(396)	(450)	(455)	(+5)
Audit.....................................	(3,804)	(3,850)	(3,865)	(+15)
OIG--Investigation........................	(998)	(1,000)	(1,005)	(+5)

Salaries and Expenses, Housing and Urban Development
Budget Activity 11: Inspector General

PROCUREMENT MANAGEMENT CONTROLS AND THE ACCURACY OF DATA SUBMITTED TO THE FEDERAL PROCUREMENT DATA CENTER

Section 307(b) of the Supplemental Appropriations Act of 1980 requires each Inspector General to submit to Congress (along with the Agency's budget justification) a report on the progress of the agency in establishing effective procurement management controls and improving the accuracy and completeness of the information provided to the Federal Procurement Data System (FPDS) on contracts for consulting services.

I. Effective Procurement Management Controls

In August 1980, OMB approved HUD's procurement management control plan. The plan listed 24 specific actions that would improve the Department's procurement management control system. Implementation of these actions was planned as a joint effort by the Offices of Procurement and Contracts (OPC), General Counsel (OGC), and Inspector General (OIG).

The Department has implemented the 24 actions provided in the procurement management control plan, with one exception. It involves the addition of the following restrictions to HUD's Standards of Conduct:

1. Passage of 1 year before a HUD employee may act on a matter in which his/her former employer has a financial interest;
2. Extension of disclosure requirements regarding financial and other interests, gifts received, and future employment arrangements to all employees involved in procurement; and
3. Exclusion of former employees for up to 5 years from doing business with HUD if they violate post-employment restrictions.

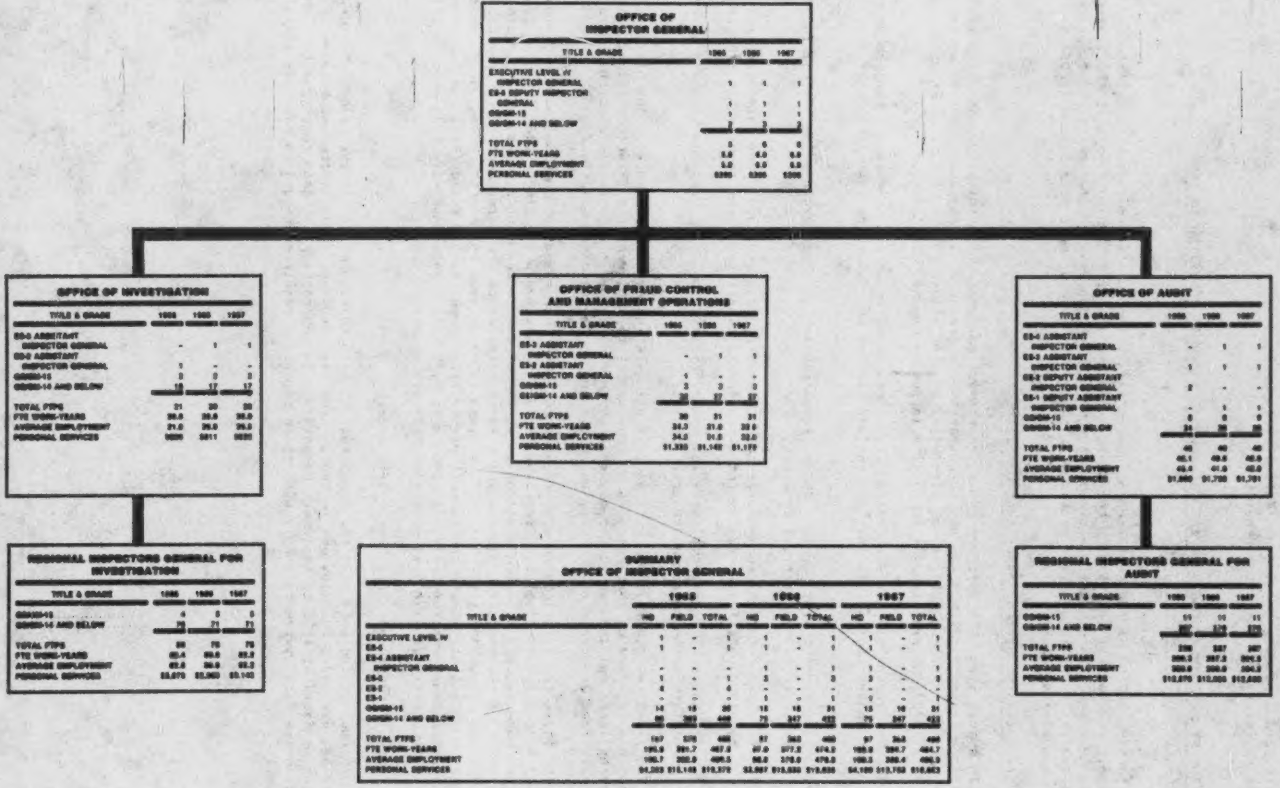
The first two restrictions will not, in all likelihood, be implemented. The Office of General Counsel has informed us that there is no requirement to implement the first provision, and there are differing legal opinions as to the advisability of the second. OGC has included the third provision in the revised Standards of Conduct, which are now in Departmental clearance.

The first two restrictions are not, according to OPC, essential components of the Department's control system for the following reasons. Reform 88 and Executive Order 12352 (Federal Procurement Reforms) have focused management attention on the entire procurement process. The Department's designation of the Assistant Secretary for Administration as the Department's Procurement Executive has improved accountability. The A-123 process is being used to identify areas where controls are lacking or deficient. The establishment of the Procurement Review Board (PRB) has improved the Department's management controls, in particular by having a deterrent effect on program offices which might otherwise have used noncompetitive procurement.

II. Federal Procurement Data Center Data Accuracy

OPC records indicate that the error rate of data they submitted to the Federal Procurement Data Center had decreased to below one percent. Recently, however, it has increased because of system changes mandated by FPDC to implement Competition in Contracting Act data requirements. OPC has modified its data system to comply with these reporting requirements and to increase overall data reliability.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	1985	1986	1987
EXECUTIVE LEVEL IV INSPECTOR GENERAL	1	1	1
ES-6 DEPUTY INSPECTOR GENERAL	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	2	3	3
TOTAL FTPS	5	6	6
FTE WORK-YEARS	5.0	6.0	6.0
AVERAGE EMPLOYMENT	5.0	6.0	6.0
PERSONAL SERVICES	$295	$300	$306

OFFICE OF INVESTIGATION

TITLE & GRADE	1985	1986	1987
ES-4 ASSISTANT INSPECTOR GENERAL	-	1	1
ES-3 ASSISTANT INSPECTOR GENERAL	1	-	-
GS/GM-15	3	2	2
GS/GM-14 AND BELOW	17	17	17
TOTAL FTPS	21	20	20
FTE WORK-YEARS	20.8	20.8	20.0
AVERAGE EMPLOYMENT	21.0	20.0	20.0
PERSONAL SERVICES	$826	$811	$820

OFFICE OF FRAUD CONTROL AND MANAGEMENT OPERATIONS

TITLE & GRADE	1985	1986	1987
ES-3 ASSISTANT INSPECTOR GENERAL	-	1	1
ES-2 ASSISTANT INSPECTOR GENERAL	1	-	-
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	26	27	27
TOTAL FTPS	30	31	31
FTE WORK-YEARS	34.3	31.0	32.0
AVERAGE EMPLOYMENT	34.3	31.0	32.0
PERSONAL SERVICES	$1,330	$1,142	$1,170

OFFICE OF AUDIT

TITLE & GRADE	1985	1986	1987
ES-4 ASSISTANT INSPECTOR GENERAL	-	1	1
ES-3 ASSISTANT INSPECTOR GENERAL	1	1	1
ES-2 DEPUTY ASSISTANT INSPECTOR GENERAL	2	-	-
ES-1 DEPUTY ASSISTANT INSPECTOR GENERAL	-	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	31	31	31
TOTAL FTPS	40	40	40
FTE WORK-YEARS	46.1	40.6	40.0
AVERAGE EMPLOYMENT	40.4	41.0	40.0
PERSONAL SERVICES	$1,880	$1,730	$1,781

REGIONAL INSPECTORS GENERAL FOR INVESTIGATION

TITLE & GRADE	1985	1986	1987
GS/GM-15	4	5	5
GS/GM-14 AND BELOW	76	71	71
TOTAL FTPS	80	76	76
FTE WORK-YEARS	80.4	80.6	83.3
AVERAGE EMPLOYMENT	82.6	80.6	83.3
PERSONAL SERVICES	$3,070	$2,960	$3,140

SUMMARY OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	1985			1986			1987		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
EXECUTIVE LEVEL IV	1	-	1	1	-	1	1	-	1
ES-6	1	-	1	1	-	1	1	-	1
ES-4 ASSISTANT INSPECTOR GENERAL	-	-	-	1	-	1	1	-	1
ES-3	1	-	1	3	-	3	3	-	3
ES-2	4	-	4	-	-	-	-	-	-
ES-1	-	-	-	1	-	1	1	-	1
GS/GM-15	14	15	29	15	16	31	15	16	31
GS/GM-14 AND BELOW	86	363	449	75	347	422	75	347	422
TOTAL FTPS	107	378	485	97	363	460	97	363	460
FTE WORK-YEARS	105.8	361.7	467.5	97.0	377.2	474.2	100.0	384.7	484.7
AVERAGE EMPLOYMENT	106.7	382.8	489.5	98.0	378.0	476.0	100.5	386.4	486.9
PERSONAL SERVICES	$4,203	$15,148	$19,372	$3,897	$15,939	$19,836	$4,100	$15,752	$19,852

REGIONAL INSPECTORS GENERAL FOR AUDIT

TITLE & GRADE	1985	1986	1987
GS/GM-15	11	10	11
GS/GM-14 AND BELOW	287	277	276
TOTAL FTPS	298	287	287
FTE WORK-YEARS	306.3	287.3	301.5
AVERAGE EMPLOYMENT	300.6	289.0	294.3
PERSONAL SERVICES	$10,576	$12,006	$12,480

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements for each of the major program area of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three and administrative fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 12: ADMINISTRATION AND STAFF SERVICES

ACTIVITY HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Total Budget Activity.............	$91,667	$84,148	$94,200	$112,813	+$18,613
Full-Time Permanent Appointments, End of Year......................	1,051	961	1,022	1,022	...
Full-Time Equivalents.............	1,143.3	1,036.6	1,047.2	1,080.6	+33.4
Staff-Years.......................	1,185.8	1,067.6	1,076.3	1,111.2	+34.9

SUMMARY OF BUDGET REQUEST

The 1987 request is for $112,813 thousand and 1,022 positions, an increase of $18,613 thousand when compared to 1986. No additional positions are requested for 1987.

The increase of $18,613 thousand consists of $1,934 thousand for salaries and benefits to support an additional 34.9 staff-years, $1,019 thousand for mandatory payments to the Employees Compensation Fund, $6,772 thousand for a space rental rate increase, $4,588 thousand for an increased level of automated data processing services, $1,800 thousand for payroll services from another agency in lieu of in-house operations and $2,500 thousand for increases in all other support items such as travel, communications, printing and supplies.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services..........................	$43,389	$38,438	$40,128	$43,081	+$2,953
Travel and Transportation of Persons......	1,473	1,661	1,239	1,905	+666
Transportation of Things..................	23	22	27	27	...
Rent, Communications and Utilities........	13,578	14,551	14,210	21,246	+7,036
Space Rental..............................	(7,173)	(7,092)	(7,346)	(14,118)	(+6,772)
FTS.......................................	(1,496)	(1,950)	(1,605)	(1,590)	(-15)
Postal Services...........................	(1,323)	(1,484)	(1,444)	(1,484)	(+40)
Other.....................................	(3,586)	(4,025)	(3,815)	(4,054)	(+239)
Printing and Reproduction.................	1,937	2,333	2,075	2,315	+240
Federal Register/CFR......................	(257)	(243)	(243)	(250)	(+7)
Other.....................................	(1,680)	(2,090)	(1,832)	(2,065)	(+233)
Other Services............................	27,813	25,019	33,153	40,991	+7,838
ADP Services..............................	(18,097)	(16,712)	(22,676)	(27,264)	(+4,588)
Management Studies........................	(685)	(1,450)	(1,301)	(1,530)	(+229)
Technical Services........................	(432)	(450)	(905)	(2,615)	(+1,710)
Other.....................................	(8,599)	(6,407)	(8,271)	(9,582)	(+1,311)
Supplies and materials....................	688	(897)	744	841	+97
Furniture and Equipment...................	2,766	1,221	2,618	2,401	-217
Insurance and Indemnities.................	...	6	6	6	...
Total.....................................	91,667	84,148	94,200	112,813	+18,613

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $91,667 thousand are $6,270 thousand more than the previous estimate of $85,397 thousand.

The increase consists of $2,083 thousand for personal services due to higher than anticipated staff-years usage and $4,187 thousand for support costs. The additional support costs consist of:

- -- +$1,462 thousand related to accelerating the department's multi-year program for acquiring word processor and personal computers in order to more rapidly enhance staff productivity during a period of staff reductions;
- -- +$1,117 thousand for greater than anticipated automated data processing services costs due to a large increase in the volume of Federal Housing Administration (FHA) mortgage insurance activity;
- -- +$1,068 thousand for higher than anticipated costs for training support in the areas of contractor assistance and enrollment fees for the participation of HUD employees in training courses outside of the Department;
- -- +$531 thousand space alteration principally associated with space usage reduction program; and
- -- a net increase of $9 thousand for all other support items.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate...	$84,148
Add amendment to restore proposed five percent pay reduction	+1,614
Add action by the Congress on the 1986 request for "Salaries Expenses"..	+1,000
Add effect of general repricing...........................	+7,438
Current 1986 estimate.....................................	94,200

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $1,614 thousands;

-- additional "Salaries and Expenses" funds provided by the Congress for additional staff and associated costs to support higher program levels than included in the budget request included $1.0 million for increased automated data processing services;

A reassessment of Departmental funding needs and distribution on the basis of 1985 experience and more recent cost and requirement data results in an increase of $7,438 thousand. The increases are:

-- +$4,964 thousand for automated data processing which reflects the installation during 1985 of a more accurate means for associating such costs with using organization--which resulted in increased estimates for this activity and reduced estimates for other activities--as well as increased support for the higher than anticipated program levels, principally for accounting support for FHA single-family activity;

-- +$1,397 thousand to accelerate the Department's multi-year program for acquiring word processors and personal computers in order to enhance staff productivity during a period of staff reductions;

-- +$455 thousand for various Technical Services contracts ranging from lock-box data transmissions in support of accounting operations to assistance for installing Local Area Network Systems (LANS) for the personal computers being acquired by the Department;

-- +$215 thousand for equipment maintenance and repair assistance, primarily for word processors and personal computers; and

-- +$407 for all other support items such as supplies, communication and utilities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$91,667	$94,200
Changes to terminal leave and severance pay	+18	+94
Changes due to change in average employment	-3,691	+1,190
Changes due to change in average personal services costs	+400	+450
Increase in payment to Employee's Compensation Fund, Department of Labor.	+257	+1,019
Changes in unemployment compensation payments	-244	+200
Increase space rental costs	+173	+6,772
Increased automated data processing services costs	+4,579	+4,588
Changes to training costs	-490	+564
Increase for management studies	+616	+229
Increase for Technical Services contracts	+473	+1,710
Establishing A-76 contracts	...	+745
All other changes	+442	+1,052
Total obligations	94,200	112,813

There are net changes in personal services costs which result in a decrease of $3,260 thousand in 1986 and an increase of $2,953 thousand in 1987. The changes reflect the following:

- -- changes in terminal leave and severance pay result in increases of $18 thousand and $94 thousand in 1986 and 1987 respectively;
- -- changes in average employment result in a decrease of $3,691 thousand during 1986 and an increase of $1,190 thousand in 1987;
- -- changes in average salary and benefits costs are expected to result in an increase of $400 thousand in 1986 and $450 thousand during 1987.

-- the mandatory annual payment to the Department of Labor for the Employee's Compensation Fund increases $257 thousand in 1986 and an additional $1,019 thousand in 1987.

-- unemployment compensation payments, which are funded centrally for the Department in this activity, are expected to decrease $244 thousand during 1986 and increase $200 thousand during 1987.

Net increases of $5,793 thousand and $15,660 thousand are expected for non-personal services items during 1986 and 1987, respectively. The increases are due to the following:

-- Space rental costs, which are established by and paid to the General Services Administration (GSA) are expected to increase $173 thousand in 1986 and $6,772 in 1987.

-- Automated data processing services costs are expected to increase $4,579 thousand in 1986 and $4,588 thousand in 1987. The increase reflects the expanded use of these services, principally for the accounting function and anticipate the development of additional systems to support mortgage insurance activities.

-- Costs for enrolling employees in training programs and for obtaining contractor support for in-house training are reduced $490 thousand in 1986 in order to comply with the funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). An increase of $564 thousand to restore such activities to a more normal level is expected in 1987.

-- Contracts for Management Studies are expected to increase $616 thousand in 1986 and $229 thousand in 1987. The increases are principally for conducting internal control reviews in order to assure compliance with the Federal Managers' Financial Integrity Act (FMFIA). Additional details on this category are included in the section on Contracts which immediately follows this section.

-- Contracts for Technical Services are expected to increase $473 thousand during 1986 and $1,710 in 1987. The increases are for a variety of items which are specifically identified in the section which immediately follows this section. The large increase in 1987 includes $1.8 million for obtaining payroll services from an outside organization in lieu of in-house processing.

-- An increase of $745 thousand in 1987 is required for having outside contractors operate the Department's warehouse facility and distribute printed materials.

-- All other non-personal services cost items, such as travel, communication, utilities printing and supplies are expected to increase $442 thousand in 1986 and $1,052 thousand during 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

4. CONTRACTS

In 1984 and prior years certain contractual requirements unique to individual organizations were included in a single subobject class entitled "Special Contracts." Beginning in 1985, with approval by the Congress, that category was deleted and replaced by various more descriptive subobject classifications. The following table identifies the funds included for each office for such items in this activity by subobject class. It is followed by a brief discussion of each of the items in this category.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in	Thousands)	
Library Services					
Administrative and Management Services......	$569	$511	$623	$624	+$1
Management Studies					
Immediate Office of the Assistant Secretary for Administration...............	53	150	150	300	+150
Finance and Accounting......................	485	1,100	1,151	1,230	+79
Administrative and Management Services......	47	...	...	...	...
Budget......................................	100	200	...	...	...
Subtotal................................	685	1,450	1,301	1,530	+229
Technical Services					
Finance and Accounting......................	390	300	449	135	-314
Administrative and Management Services......	9	...	67	130	+63
Personnel and Training......................	3	...	4	1,805	+1,801
Productivity and Management Improvements....	...	...	200	350	+150
Information Policies and Systems............	30	...	185	195	+10
Procurement and Contracts...................	...	50	...	...	...
Budget......................................	...	100	...	...	...
Subtotal................................	432	450	905	2,615	+1,710
DATA AND STATISTICAL SERVICES					
Administrative and Management Services......	60	...	...	...	...
Personnel and Training......................	2	...	2	2	...
Subtotal................................	62	...	2	2	...
Total.......................................	1,748	2,411	2,831	4,771	+1,940

Library Services. These funds provide for the operation of the Library by a contractor and various ancillary services, generally obtained from or through the Library of Congress. The 1986 budget estimate did not include the ancillary services which accounts for the increase. Level funding is proposed.

Management Studies. These funds provide for contractor assistance for management analysis activities, including studies related to staff skills requirements. The funding included for the Immediate Office of the Assistant Secretary provides for short-term ad hoc requirements. The funds for the Office of Finance and Accounting (OFA) provide some funding for consulting services associated with enhancing and developing processes for the mortgage insurance accounting system ($125 thousand in 1986 and $100 thousand in 1987), but the bulk of the funds--i.e., the balances--are for the conduct of services to ensure compliance with the Federal Managers' Financial Integrity Act (FMFIA). The funds included for the Office of Budget, which was responsible for Departmentwide coordination of such activities were also for that purpose. However, that function, with the funds, was transferred to OFA in 1986.

Technical Services. These funds are for specialized technical support which are not identified in other categories. The services range from providing lock box data transmission for OFA through the conduct of health benefit seminars for employees under the auspices of the Office of Personnel and Training to the development of personal computer Local Area Network Systems (LANS) under the management of the Office of Information Policies and Systems.

The increase of $455 thousand in 1986 provides $200 thousand for ad hoc short-term assistance for the newly established Productivity and Management Improvements staff, $67 thousand for the initiation of development of a communications management system and $185 thousand to support the development of LANS. There is a net increase of $3 thousand for other items. The increase of $1,710 thousand in 1987 is almost exclusively due to the addition of $1,800 thousand for a contract for having the Department's payroll system operated by another agency rather than by in-house staff. This action is consistent with a governmentwide effort to consolidate such activities in order to achieve savings from economies of scale.

Data and Statistical Services. Minimal funding is provided for data and statistical assistance for a task force responsible for converting the Department's payroll system from an in-house service to one provided by another agency--as discussed immediately above.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Administration and Staff Services activity funds the Office of Administration at headquarters. This Office is responsible for general Departmental support such as accounting, management analysis, budgeting, personnel management, training, contracting, staffing and performance analysis, and general building and office services. The activity includes all Office of Administration functions except ADP functions and Printing and Visual Arts, which are provided under the Working Capital Fund and are described in a later section of this part of the Justifications.

2. WORKLOAD

The principal workload of Administration and Staff Services consists of accounting for financial transactions, procurement and contract actions, equipment repairs, space alterations, communication services, personnel actions, publication services, and space management, in addition to workload in connection with the budget, personnel, training, and organization and information policy functions.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	1,051	961	1,022	1,022	...
Staff-Years	1,185.8	1,067.6	1,076.3	1,111.2	+34.9

The staffing changes in 1986--increases of 61 full-time permanent staff and 8.7 staff-years --primarily reflect a substitution of permanent employees for temporary staff in the Offices of Finance and Accounting (OFA) and the shift of staff-year resources to that Office to support increased accounting workload for the single-family mortgage insurance program. Other offices in this activity have been reduced in order to make staff-year resources available along with some shift of staff resources from other offices in the Department as explained in the Department's most recent reprogramming proposal.

The increase in staff-years for 1987 reflects operations at a more normal level when compared with the suppressed 1986 level.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	1,061.6	1,004.2	1,037.6
Temporary and Part-Time Employees	90.5	49.0	49.0
Overtime	28.6	18.0	18.0
Terminal Leave	5.1	5.1	6.6
Total Staff-Years	1,185.8	1,076.3	1,111.2

A further description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in this part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within the Office of Administration and are followed by a discussion of the functions and staffing requirements for each of those organizations. The organizational distribution reflects the consolidation of the Offices of Personnel and Training into a single organization. This action took place since the last budget request and the Committees were so advised by separate correspondence.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate office of the Assistant Secretary for Administration	8	10	8	8	...
Finance and Accounting	574	488	571	571	...
Administrative and Management Services	122	133	118	118	...
Personnel and Training	173	173	162	162	...
Productivity and Management Improvements	9	...	16	16	...
Information Policies and Systems	62	44	44	44	...
Procurement and Contracts	39	42	40	40	...
Budget	48	53	46	46	...
Executive Secretariat	16	18	17	17	...
Total Full-Time Permanent Appointments, End of Year	1,051	961	1,022	1,022	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Immediate Office of the Assistant Secretary for Administration	10.0	10.5	8.3	8.6	+.3
Finance and Accounting	665.5	560.6	617.7	612.5	-5.2
Administrative and Management Services	137.8	142.5	122.6	127.8	+5.2
Personnel and Training	197.2	191.6	162.6	185.8	+23.2
Productivity and Management Improvements	1.0	...	13.1	20.1	+7.0
Information Policies and Systems	62.4	44.6	50.6	47.5	-3.1
Procurement and Contracts	40.9	43.7	38.2	42.3	+4.1
Budget	51.7	55.2	45.8	47.3	+1.5
Executive Secretariat	19.3	18.9	17.4	19.3	+1.9
Total Staff-Years	1,185.8	1,067.6	1,076.3	1,111.2	+34.9

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

1. IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year..	8	10	8	8	...
Staff-Years..	10.0	10.5	8.3	8.6	+.3

The Assistant Secretary for Administration is responsible for the development and promulgation of policies, standards, procedures, systems and materials related to the Administrative Management program of the Department and for the execution of such policies and directives at Headquarters and in the Field.

The reduction of two positions in 1986, as compared to the Budget estimate, reflects a reassessment of staffing requirements consistent with efforts to reach federal operating costs.

No change in staff is proposed for 1987.

2. OFFICE OF FINANCE AND ACCOUNTING

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments,					
End of Year..	574	488	571	571	...
Staff-Years..	665.5	560.6	617.7	612.5	-5.2

The Office of Finance and Accounting (OFA) provides policy direction, review, and coordination of the fiscal and accounting responsibilities of the Department and, with the assistance of the ten Regional Accounting Divisions, provides accounting services for all administrative activities of the Department and for all operating programs except for those administered by the Government National Mortgage Association.

The staff requirements for this Office are derived on the basis of projected workload levels. The following tables display the distribution of the Office staff. These tables are followed by a brief discussion of the duties and responsibilities of each office and examples of the workload where applicable.

During 1986 the Office has also been assigned the responsibility for Departmentwide coordination of all activities related to ensuring compliance with the Federal Managers Financial Integrity Act (FMFIA) as required by OMB Circular A-123. Prior to 1986 this function was the responsibility of the Office of Budget.

The 1986 staffing increases--83 full-time permanent (FTP) staff and 57.1 staff-years--indicated in the current estimate as compared to the budget estimate include 6 FTP staff and 6 staff-years consistent with the transfer of FMFIA responsibilities discussed above. The balance of the increase is for workload associated with an anticipated increase to the single-family mortgage insurance program.

A slight--5.2 staff-years--reduction in 1987 anticipates productivity improvements, principally due to greater use of automated data processing technology.

The Office is composed of the Director's office, three staff offices and two operating groups with seven operating divisions and one staff office. The following tables display the distribution of the Office staff and staff-year usage by office. These tables are followed by a brief discussion of the duties and responsibilities of each office and the multi-year workload estimates for each office.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Director's Office	6	4	5	5	...
Administration and Management Staff	18	17	17	17	...
Financial Management Systems Staff	7	0	15	15	...
Reports Control and Analysis Staff	14	17	16	16	...
Mortgage Insurance Accounting and Servicing Group:	(384)	(317)	(376)	(376)	(...)
Director's Office	16	4	14	10	-4
Systems and Management Oversight Division	13	21	15	19	+4
Insurance Operations Division	106	94	104	104	...
Insurance Claims Division	75	65	72	72	...
Insurance Accounting Division	43	42	44	44	...
Post Insurance Division	131	91	127	127	...
General and Program Accounting Group:	(145)	(133)	(142)	(142)	(...)
Director's Office	10	4	9	9	...
Accounting Systems and Oversight Staff	7	17	10	10	...
Assisted Housing Accounting Division	50	53	52	52	...
General Accounting Operations Division	78	59	71	71	...
Total Full-Time Permanent Appointments, end of year	574	480	571	571	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Director's Office	6.4	5.0	5.0	4.5	-.5
Administration and Management Staff	19.3	18.0	18.0	18.0	...
Financial Management Systems Staff	3.8	...	12.5	15.2	+2.7
Reports Control and Analysis Staff	15.5	18.0	18.0	18.0	...
Mortgage Insurance Accounting and Servicing Group:	(440.1)	(365.0)	(402.7)	(396.4)	(-6.3)
Director's Office	13.6	4.0	12.3	11.6	-.7
Systems and Management Oversight Division	14.5	24.0	13.5	13.5	...
Insurance Operations Division	116.5	102.0	108.6	105.0	-3.6
Insurance Claims Division	91.3	84.8	83.4	83.4	...
Insurance Accounting Division	48.1	45.2	46.6	46.6	...
Post Insurance Division	156.1	105.0	138.3	136.3	-2.0
General and Program Accounting Group:	(177.6)	(150.0)	(158.1)	(157.7)	(-.4)
Director's Office	13.4	5.0	10.3	9.5	-.8
Accounting Systems and Oversight Staff	11.1	22.0	10.0	10.0	...
Assisted Housing Accounting Division	64.2	58.0	60.8	60.8	...
General Accounting Operations Division	88.9	65.0	77.0	77.4	+.4
Terminal Leave:	2.8	4.6	3.4	2.7	-.7
Total Staff-Years, end of year	665.5	560.6	617.7	612.5	-5.2

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

During FY 1986 the Office of Finance and Accounting will continue to refine its organization. These refinements will improve workflow, eliminate unnecessary paper handling, promote timeliness and efficiency of operations, and enhance the cash handling system. As a result the work measurement system within the Office will also undergo change. Some of the functions detailed in the budget may be revised in future submissions to reflect new methods of measurement. Others may be revised or eliminated as necessary.

a. Director's Office. This Office has responsibility for establishing the operational priorities and procedures, providing general direction, coordinating the collection activities for all Department offices, conducting performance evaluations of HUD field accounting operations, and assisting Department officials in developing guidelines, procedures, and agreements with respect to Department of Treasury borrowing and repayments, bond servicing, interest rate determinations, and other financial and accounting matters.

b. Administration and Management Staff. This staff has responsibility for all of the administrative functions within the Office of Finance and Accounting. These include, but are not limited to: budget preparation and execution, micrographics, personnel, training, purchase of supplies, equipment rentals and purchases, procurement and contracting, management development, performance management systems, staff resource planning, employee communications systems, standards of performance, mail and messenger services, and employee development.

c. Financial Management Systems Staff. This staff has responsibility for providing policy, review, and coordination of all financial management system activities within the Department, and to ensure efficient development and operation of accounting policies, systems procedures, and internal controls within OFA and on a Departmentwide basis. The staff also manages the support functions necessary to implement and monitor the Department's internal control directive and plan in accordance with OMB Circular A-123; performs support functions to the Assistant Secretary for Administration regarding the Committee on Fraud, Waste and Mismanagement, the Headquarters Audit Resolution Group, hotline complaints coordination and response; and prepares Departmental post-audit verification reports.

d. Reports Control and Analysis Staff. This staff has responsibility for defining, preparing or recommending the preparation of reports, statements, and analyses for HUD officials, the Office of Management and Budget (OMB), the Department of Treasury, and others. The staff plans, directs, conducts and coordinates the preparation of reports and financial analysis; prepares and submits accounting and financial reports to HUD management, Treasury, OMB, GAO and other governmental organizations; and performs all of the appropriate reconciliations. The staff also determines the present and future cash needs of the various insurance funds, determines and recommends borrowing needs and makes investments of excess cash in U.S. guaranteed securities, and submits authorizations for investments to the Department of Treasury.

e. Mortgage Insurance Accounting and Servicing Group. This Group advises on, performs the accounting for, processes and reports on all of the financial and fiscal functions for the mortgage insurance activities of the Department. It does so by providing direct supervision to, and coordinating the activities of, all mortgage insurance, financial, and accounting units. These units are described below. This Group is also responsible for implementing a number of fully automated accounting systems for all of the major functions within the Group, some of which are fully operational and some of which are still in the developmental and/or testing stages.

(1) Systems Management Oversight Division. This Division has responsibility for conducting continuous reviews of all mechanized systems, recommending changes and enhancements when necessary, to ensure that processing functions are being efficiently and effectively performed by the operating divisions within the Mortgage Insurance Accounting and Servicing Group. The Division also has responsibility for developing and implementing a number of fully automated accounting systems for all of the major functions within the Group. The Division prepares, reviews, and publishes handbooks, procedures, and forms pertaining to the mortgage servicing functions in the Department, and clears any audit findings and deficiencies pertaining to the mortgage insurance accounting and servicing methods and procedures.

(2) Insurance Operations Division. This Division has full responsibility for processing all changes to the insurance-in-force; billing and collecting insurance premiums and other charges for all single-family, multifamily and Title I home improvement and mobile home programs; processing all terminations of insurance, other than by claim payment; processing record changes for servicemen's mortgages and sales and transfers between borrowers and lenders; determining and certifying the eligibility of mortgagors to participate in any distributive shares; and certifying and making distributive share payments to qualifying multifamily housing owners under Section 213, Cooperative Management Housing Insurance program.

The following table correlates staffing requirements with the workload indicators for this division:

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Billing Record Changes..............................	1,468,046	1,525,000	1,550,000
Cases Resolved......................................	424,333	500,000	525,000
Mortgage Record Changes.............................	207,509	248,000	268,000
Multifamily Operations..............................	4,800	4,900	4,900
Shares Paid...	133,574	150,000	160,000
Title I Operations..................................	19,700	19,700	19,700

(3) Insurance Claims Division. This Division performs all functions relating to Title I and Title II insurance benefits claims. They receive the claims from approved lenders and mortgagees; examine the claims; prepare correspondence and communications, including forms and related records; and makes payments for approved benefits and accounts for them. In particular, this Division produces and analyzes reports for all of the single-family, multifamily and Title I claims operations. This division completed a major revision to the organizational structure during FY 1985 with no direct impact on workload data. This data may, however, be refined and/or revised in future budget submissions.

The following table correlates staffing requirements with the workload indicators for this division:

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Title I Claims Settled..............................	14,901	19,800	20,000
Multifamily Claims Settled..........................	34	40	45
Final Single-Family Claims Paid.....................	49,963	55,000	60,500

(4) Insurance Accounting Division. This division has the full responsibility for establishing and maintaining internal controls for collections, deposits, and disbursements; performing the financial reporting for the fund control of these disbursements, collections, and deposits; ensuring accuracy and timeliness in all these accounting functions; performing all collecting and depositing functions for all HUD programs and all disbursing functions for the Mortgage Insurance Accounting and Servicing Group; reconciling balances with the U.S. Treasury; coordinating and interfacing with the GAO, OMB, and Treasury in regard to financial reporting; and maintaining the General Ledger for all Mortgage Insurance Accounting and Servicing.

The following table correlates staffing requirements with the workload indicators for this Division:

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Cash Transactions...........................	111,404	109,372	109,372
Checks Processed............................	34,821	35,789	35,789
Vouchers Processed..........................	21,017	22,064	22,064

(5) Post Insurance Division. This Division has responsibility for maintaining the mortgage records of, and billing and accounting for, single-family and multifamily mortgage payments; certifying the costs associated with these mortgages and payments; monitoring any notes defaulted in Title I operations; maintaining accounting records of real property notes in the Field; producing and analyzing reports on assets acquired by the Department; and handling the sale of single-family and multifamily properties.

The following table correlates staffing requirements with the workload indicators for this Division:

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Multifamily Mortgages Serviced................	1,459	1,470	1,650
Single-Family Mortgages Serviced..............	47,000	52,000	58,000
Title I Notes Serviced........................	60,505	65,009	70,000
Single Family Property Serviced...............	58,000	62,000	74,418

f. General and Program Accounting Group. This Group advises on, performs accounting for, processes, and records all general, administrative, and non-mortgage insurance financial and accounting activities of the Department, except for those assigned to the Government National Mortgage Association. It does so by providing supervision to, and coordinating the activities of all general, administrative and non-mortgage insurance, financial and accounting units. These units are described below.

(1) Accounting Systems and Oversight Staff. This Staff has primary responsibility for debt collection activities, including correspondence Handbook preparation and review. They also prepare, review and publish accounting Handbooks, instructions and forms for non-mortgage servicing functions in the Department, and conduct periodic reviews of the HUD Headquarters' cash management activities and imprest funds.

(2) General Accounting Operations Division. This division performs all of the accounting functions for all HUD programs (except for Section 8, Public Housing, and the FHA fund), including those for Salaries and Expenses (S&E) and the Working Capital Fund (WCF). It pays all vendor bills, travel claims, miscellaneous grant and loan program payments, and selected subsidy program payments; maintains the accounts for the low-rent programs, S&E, and grant and loan programs; and performs the appropriate reconciliations for these programs.

Salaries and Expenses, Housing and Urban Development
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The following table correlates staffing requirements with the workload indicators for this division.

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Administrative Vouchers	26,221	28,800	28,800
Program Vouchers	85,125	88,400	88,400
Accounts Maintained	81	81	81

(3) Assisted Housing Accounting Division. This Division maintains the system of accounting control over HUD's commitment to make loans and annual contributions to the Low-Rent Housing Program; reviews financial reports from local housing authorities; provides financial data used in marketing notes and bonds that support these projects; and performs the required reconciliations. This Division also handles all the accounting for the Section 8 and Public Housing programs; processes HUD loans to local housing authorities; processes the annual contribution payments; reviews the representations from local housing authorities; and administers the financial provision of contracts with the local housing authorities.

The following table correlates staffing requirements with the workoad indicators for this Division:

WORKLOAD ITEM	ACTUAL WORK PROCESSED FY 1985	ESTIMATED WORK PROCESSED FY 1986	ESTIMATED WORK PROCESSED FY 1987
Financial Reviews	16,000	21,000	21,500
Commitment Documents	93,690	47,167	51,843 a/

a/ Includes forgiveness of existing Treasury and Public Housing Authority debts and conversion to a grant program during 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

3. OFFICE OF ADMINISTRATIVE AND MANAGEMENT SERVICES

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the Director	4	4	4	4	...
Administration and Travel Support	4	5	4	4	...
Emergency Preparedness Staff	5	4	4	4	...
Management Services Division	20	26	19	19	...
Communications and Space Management Division	19	22	21	21	...
Facilities and Operations Division	70	72	66	66	...
Total Full-Time Permanent Appointments, End of Year	122	133	118	118	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the Director	4.2	4.5	4.0	4.0	...
Administration and Travel Support	4.5	5.0	4.5	4.5	...
Emergency Preparedness Staff	5.5	4.3	4.8	4.8	...
Management Services Division	25.3	27.3	20.0	21.0	+1.0
Communications and Space Management Division	22.5	23.2	21.0	21.5	+.5
Facilities and Operations Division	75.8	78.2	68.3	72.0	+3.7
Total Staff-Years	137.8	142.5	122.6	127.8	+5.2

There are reductions of 15 full-time permanent staff and 19.9 staff-years in the current 1986 estimate as compared to the budget estimate. The reductions are the effect of the transfer of two positions and two staff-years to the newly formed Office of Productivity and Management Improvements consistent with the transfer of certain management analyses functions to that Office and reductions designed to make staff resources available to the Office of Finance and Accounting for the unanticipated increases in mortgage insurances activities.

No additional positions are requested in 1987, but there is a slight increase in anticipated staff-year usage in order to satisfy requirements deferred from 1986 because of the staffing constraints.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

The Office of Administrative and Management Services (OAMS) is responsible for the development, administration, and evaluation of all administrative services functions for the Department. These services include but are not limited to Headquarters building operations, Departmental space and communications, management and organization analysis, paperwork management, emergency preparedness, safety services, imprest funds for travel services for Headquarters personnel, and overall management of printing and visual arts activities conducted under the Working Capital Fund.

The staff requirements for this Office are derived on the basis of projected workload levels. The following material provides a brief discussion of the duties and responsibilities of each organization within OAMS and examples of the Office workload where applicable.

a. Office of the Director. The Director is responsible for establishing policies and procedures required for the Department's administrative services programs and for the planning, management, and operation of OAMS, as well as for assigning priorities and advising the Assistant Secretary for Administration and other Departmental officials on matters relative to these functions.

b. Administration and Travel Support Staff. This staff is responsible to the Director for management of the Office, for coordinating budget planning, for tracking Salaries and Expenses and Working Capital Fund (Printing and Visual Arts) obligations for OAMS, and for administering the headquarters imprest fund. The staff provides all other administrative support required by OAMS in such areas as ceiling control, personnel, time and attendances, and travel.

c. Emergency Preparedness Staff. This Staff is responsible for national civil emergency plans and preparedness programs, for the overall coordination and direction of HUD defense planning, and for the administration of the departmentwide Safety and Health programs.

d. Management Services Division. The Division is responsible for providing management service and support of a general administrative nature to the Office Director and other division directors. The Division supports the Department by developing policies and procedures for paperwork management and by performing specific paperwork functions including: managing, coordinating, presenting, distributing, and guiding the storage and disposition of official written material.

The specific responsibilities of the Division include:

(1) reviewing and preparing coordinated Office responses to proposed Departmental issuances, legislation, directives from other departments and agencies; scheduling, planning and conducting efficiency studies such as Circular A-76 reviews, reviewing and coordinating audit reports relating to Office functions; and conducting A-123 vulnerability assessments;

(2) coordinating OAMS office automation;

(3) coordinating Performance Evaluation Reviews of the Office of Administration and participating in Regional and Field Office performance reviews;

(4) operating and maintaining the Departmental directives systems;

(5) conducting the Department's records management program and coordinating all micrographics operations as part of the records management program;

(6) developing Departmental policy with regard to the use of advisory and inter-agency committees including the Department's Committee Management System; and

(7) administering the Library services contract.

e. Communications and Space Management Division. This Division is responsible for developing Departmental Policy on the management of space and communication resources providing technical assistance to Headquarters and the Field; conducting departmentwide operations relating to communications management; and managing Headquarters space.

The specific responsibilities of the Division includes the following functions:

(1) developing policy for and overseeing departmentwide operations relating to the use of facsimile, teletype, long line, and telephone communications systems, including the coordination and installation of data facilities for nationwide networks;

(2) maintaining liaison with the General Services Administration (GSA), other Federal agencies and the private sector concerned with communications; implementing and evaluating communications systems throughout the Department; coordinating and gathering of information for the production of the Department telephone directory and providing directory assistance to other Federal agencies, the Congress, and industry groups;

(3) developing departmentwide policy for Headquarters and conducting necessary operations relating to the development, acquisition, utilization of space, including design of functional layout plans;

(4) providing budgetary and operational cost data relating to space and communications requirements, and providing advice and assistance on special space problems;

(5) maintain liaison with the GSA, other Federal agencies, and private industry regarding space matters;

(6) evaluating the effectiveness of the departmentwide space programs; and

(7) maintaining current scale layouts of all occupied space.

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WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Space Planning--Square Footage	1,206,730	1,000,000	1,400,000
Telecommunications Management Surveys	6	8	8
Telephones Changes	6,260	6,500	7,800
Communications Center Messages	565,832	800,000	800,000
Information Assistance	62,222	100,000	100,000
Field Space Management--Square Footage	1,406,735	1,000,000	1,500,000

f. Facilities Operations Division. This Division is responsible for matters relating to the operation of the Headquarters facilities in the Washington, D.C. area. These include operation and maintenance of the HUD Headquarters building, office services, transportation, mail and messenger services, personal property and supply management, and parking management for the Headquarters building. Additionally, the division is responsible for the development and implementation of departmentwide policies for personal property and supply management, motor vehicle management, and mail operations and messenger services.

Unique functions performed by this Division include:

(1) real property operations--full functional operation and maintenance of the physical plant of the Headquarters building under a five-year delegation from GSA. Responsibilities include mechanical operation of the facility, custodial services, mechanical equipment repair, building security, and energy management;

(2) office machine repair--maintains contractual capabilities for typewriter, and other office machine servicing;

(3) personal property and labor services--maintains in-house and contractual capability for furniture repair and office moves within the Headquarters building; and

(4) storage and distribution--responsible for central warehousing and bulk distribution of forms, directives, and publications; for Headquarters distribution of furniture and equipment; for providing technical advice on transportation of things; and maintaining an adequate stock of furniture, forms, and publications.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Printed Material Management--Requisitions Processed	116,000	115,000	115,000
Property Management--Requisitions	1,283	1,300	1,300
Routine Mail Processing	6,905,000	7,000,000	7,000,000
Special Mail Processing	220,380	230,000	230,000
Motor Vehicle Pool Operation-Trips	20,520	21,000	21,000
Office Machine Repairs	1,653	1,800	1,800
Building Service Calls	7,500	7,500	7,500
Preventive Maintenance Line-Items	4,500	4,500	4,500
Building Repair Projects	31	35	35
Building Inspections	1,800	1,800	1,800

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

4. OFFICE OF PERSONNEL AND TRAINING

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the Director....................	11	10	13	13	...
Management and Labor Relations Division...	19	19	19	19	...
Employment and Classification Division....	53	50	50	50	...
Plans and Evaluation Division.............	11	17	8	8	...
Personnel Systems and Payroll.............	44	39	38	38	...
Training Division.........................	35	38	34	34	...
Total Full-Time Permanent Appointments, End of Year............................	173	173	162	162	...

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of the Director....................	9.6	11.0	14.0	15.0	+1.0
Management and Labor Relations Division...	21.7	21.0	18.0	19.0	+1.0
Employment and Classification Division....	61.3	58.0	50.6	56.4	+5.8
Plans and Evaluation Division.............	15.9	19.0	8.0	10.0	+2.0
Personnel Systems and Payroll.............	48.8	42.6	38.0	44.0	+6.0
Training Division.........................	39.9	40.0	34.0	41.4	+7.4
Total Staff-Years.......................	197.2	191.6	162.6	185.8	+23.2

There are reductions of 11 full-time permanent staff and 29.0 staff-years in the current 1986 estimate as compared to the Budget estimate. The reduction reflects a redistribution of staff resources to provide staff for the newly formed Productivity and Management Improvements Staff and for the Office of Finance and Accounting for unanticipated increases in mortgage insurance activities.

No additional positions are requested for 1987, but an increase in staff-years is proposed in order to perform functions deferred from 1986 due to the staffing constraints and to return to a more normal level of operations.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

The Office of Personnel and Training is responsible for planning, developing, administering, and evaluating all personnel and training programs for the Department. Current priorities related to meeting these responsibilities include:

-- coordinate Personnel/Payroll automation effort, including:

a. support to assure an orderly transition from TOPPS to a replacement system; and

b. rapid expansion of automation/microcomputer applications to existing/essential personnel functions.

-- implement HUD's Performance Management Plan in accordance with OPM Performance Management and Recognition System regulations;

-- implement recommendations and support activities of organizational working groups;

-- renewed emphasis on improving recruitment and selection procedures;

-- support Departmental position management program by conducting reviews in Headquarters organizations and by monitoring Field efforts, with the ultimate objective of improving organizational efficiency and effectiveness;

-- address management and employee development needs through a variety of efficient and effective training and consulting strategies;

-- increase employee participation and management adoption rates in the HUD IDEAS Program.

-- maintain current high-quality level of advice and assistance provided on performance and conduct problems;

-- prepare for negotiations for the HUD/AFGE Contract;

-- continue support of executive services activities, including the timely and efficient administration of the Executive Performance Appraisal System and Senior Executive Award programs;

-- issue Personnel and Training Policy and Procedures Manuals;

-- implement staff reduction activities if necessary and provide responsive placement assistance to affected employees;

-- implement any changes to the Departmental Performance Management System, and

-- organizational and operations improvements.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Negotiations with Union Officials	31	20	14
Policy and Guidance Documents Issued	80	90	100
Disciplinary and Adverse Actions Initially Received	550	600	550
Inspector General Reports Received	100	120	120
Adverse Actions Processed	30	39	35
Consultations on Adverse Actions	28	75	60
Consultations with Labor Unions	800	1,020	930
Payroll Transactions Processed:			
Number of T&As Processed	325,667	315,000	300,000
Number of TOPPS Inputs	49,404	50,000	40,000
Personnel Transactions Processed	25,350	25,500	26,000
Merit Staffing Actions Completed	349	350	400
Merit Staffing Action Closeouts	190	250	225
Noncompetitive Staffing Actions	13,000	13,000	13,000
Special Examining Unit Activity	37	50	50
Positions Classified	3,065	3,000	3,000
Employee Retirement Counseling	177	900	900
Employee Injury Counseling	52	50	50
Applications Processed	8,000	8,000	8,000
Specifications Changes of TOPPS	55	35	20
Counseling Related to Staffing Adjustments	500	800	1,500

a. Office of the Director. The Director plans and directs all functions of the Office, serves as the Department's principal advisor and representative for personnel management and for pay administration, and develops and recommends Departmentwide policy on personnel and pay matters. Director is assisted in these responsibilities and duties by a Deputy Director, who acts for the Director in his/her absence. The Director's immediate staff provides administrative support required by the Office of Personnel and Training in the areas of ceiling control, budget, personnel correspondence, Departmental staff bulletins, time and attendance, administrative services, training, travel, records management, and other areas.

In addition, one internal staff carries out specialized activities as follows:

(1) Personnel/Payroll Task Force. This staff is responsible for defining the requirement for an automated system to support personnel and payroll functions throughout the Department, examining the capabilities of the systems existing in the Federal sector vis-a-vis HUD requirements, and subsequently implementing and evaluating the performance system which meets HUD requirements.

b. Management and Labor Relations Division. This Division is responsible for developing Departmental policies, programs and systems related to employee performance appraisal, merit pay, labor relations, employee conduct, incentive awards, and the employee suggestion program (IDEAS), and for their implementation and administration in Headquarters. Specific responsibilities of this Division include:

(1) assisting Headquarters and Field Offices in implementing provisions of the HUD contract with the American Federation of Government Employees (AFGE);

(2) ensuring proper Union consultation and negotiations for all management decisions affecting personnel policies, procedures, and working conditions; coordinating and interpreting the AFGE Contract; developing management's position in party proceedings, such as Unfair Labor Practice hearings, arbitrations, negotiability appeals, and unit clarification hearings; and providing direction, advice, and assistance to field offices with National Federation of Federal Employees (NFFE) units;

(3) developing, monitoring, and evaluating the Department's policies with respect to adverse actions, performance-based actions, and administrative grievances; and providing assistance to operating personnel offices and managers, including the Deputy Under Secretary for Field Coordination, in initiating actions; developing and providing training for operating personnel specialists; monitoring Inspector General reports to ensure appropriate management action; recommending intervention by higher management whenever action initiated by lower management is inappropriate; maintaining retrievable data bases in the area of adverse actions, performance-based action and appeals; and administering the HUD Grievance Examiner Cadre;

(4) administering the Departmental Incentive Awards and IDEAS Program; and

(5) administering the HUD performance appraisal systems and developing policies for improvement of the systems.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Unfair Labor Practice Cases	93	130	125
Union Grievances	62	72	65
Arbitrations	3	20	10
Performance and Conduct Enforcement: Adverse Actions and Performance-Based Actions:			
Indirect Involvement	24	50	50
Actions Processed	24	39	35
Administrative Grievances:			
Indirect Involvement	28	20	20
Direct Involvement	12	35	35
Briefings and Position Papers	31	20	15
Merit Systems Protection Board Appeals	6	40	40
Inspector General Reports Reviewed	100	120	120
Regulatory Interpretations and Advice:			
Employee Relations, Labor Relations, and Incentives	160	97	90
Ideas Processed	490	419	425
Performance Ratings Reviewed:			
Indirect Involvement	10,680	11,182	11,000
Direct Involvement	4,809	5,000	3,700
Executive Appraisals Made	90	115	120
Incentive Awards:			
Indirect Involvement	290	130	130
Direct Involvement	826	800	600

c. Employment and Classification Division. This Division is responsible for developing Departmental policies, programs and systems related to employment, position management and classification, reductions-in-force, outplacement counseling, and employee health benefits, and for their implementation and administration. Specific responsibilities include:

(1) ensuring timely processing of Headquarters actions in compliance with Office of Personnel Management (OPM) and HUD policies and procedures;

(2) providing merit staffing services for HUD positions, including policy guidance;

(3) providing personnel services, including classification and recruitment/staffing, for Senior Executive Service (SES), Schedule C, expert and consultant, and Field Office manager positions;

(4) ensuring timely and accurate application of new and revised OPM classification standards;

(5) soliciting Departmental comments on OPM draft classification standards and developing responses;

(6) conducting position reviews and occupational studies;

(7) representing the Department's position with OPM on issues of Departmental concern in the areas of employment and classification; and

(8) providing comprehensive outplacement and retirement counseling programs and special placement programs.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Personnel Actions Approved and Coded	25,350	25,500	26,000
Requests for Certification for Employment Submitted to OPM or Done by HUD	47	50	50
Computations of Estimated Annuities	127	250	250
Senior Executive Service and Executive Level Appointments	17	30	30
Schedule C Appointments Made	37	50	60
Experts and Consultants Hired and/or Extended	105	100	60
Key Field Vacancies Staffed	23	30	25
Regulatory Interpretation and Advice (Employment)	400	400	350
Regulatory Interpretation and Advice (Classification)	450	450	450
Briefing and Position Papers	52	50	50
Controlled Correspondence	925	1,000	900
Health Benefits Counseling	575	600	655
Classification Reviews--Routine Reviews	3,260	2,000	3,300
Classification Audits	415	500	1,000
Classification-In-depth with Classification Standards	415	500	900
Classification Appeals Filed by Employees	8	8	16

d. Plans and Evaluation Division. This Division is responsible for ensuring that a wide variety of office management responsibilities, such as A-123, A-76, and FOIA/Privacy Act, are fulfilled; performing, coordinating and/or representing the office on a wide range of management improvement projects; maintaining the Departmental delegations of personnel authority; coordinating office clearances and concurrences on Departmental issuances planning, designing and implementing microcomputer applications for personnel functions; and operating a comprehensive Personnel Management Evaluation (PME) program to ensure that Departmental personnel programs are in compliance with laws, rules, regulations, and policies. The Division conducts a special review activity to ensure that personnel handbooks and policy issuances are streamlined, less time-consuming and restrictive of management flexibility, and codified in a single manual of essential handbooks and issuances.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Management Studies	5	5	5
Personnel Management Evaluation (Regulatory) Studies	2	3	2
Performance Reviews	5	10	5
Management Reports	58	48	40
Management Improvement Projects	4	6	6
Microcomputer Applications	5	5	5

e. Personnel Systems and Payroll Division. This Division is responsible for maintaining HUD's automated personnel/payroll system; administering the pay and leave policy; developing employment data for use in budgeting and work force analysis; issuing accurate paychecks on time and forwarding required deductions from checks to appropriate Federal, state, and local agencies.

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WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Employees Payrolled	13,482	12,500	12,000
Pay/Leave Questions Answered	6,800	6,500	6,000
Pay Cases Researched	1,900	1,800	1,800
Checks Distributed in Headquarters	14,600	13,000	10,000
Bonds Distributed in Headquarters	2,145	2,000	1,700
Stop Payments Placed	240	350	350
User Assistance Requests	5	7	6
Advance Requirements Notices	55	35	20
Regulatory Interpretations and Advice (Pay and Leave)	3,000	3,000	3,000
Briefings and Position Papers	7	7	7

f. Training Division. Provisions for the Government employees Training Act of 1958, Executive Order 11348, the Federal Personnel Manual, and OMB Circular A-48 authorize and direct the head of each Department to investigate training needs and to plan, program, budget for, operate, and evaluate training programs.

The Office of Personnel and Training provides primarily two types of training--program/technical and managerial. The amount and kind of program/technical training may vary widely from year to year in response to new program directions and employee skill needs. In contrast, managerial training, including executive development, is directed towards relatively consistent objectives for a specific population. Resource allocations for both programs are determined by training needs surveys.

The Department's training is conducted at various locations in the Washington, D.C. metro area and the Field. Some specific activities of the Division are:

(1) developing and implementing training policies, standards, and procedures;

(2) developing and instructing skill-based packaged training, both in Headquarters and in the Field;

(3) training instructors to deliver training;

(4) providing technical (training design) guidance to program officials responsible for developing and conducting individual program training courses;

(5) designing programs to meet the needs of supervisors, managers, and executives;

(6) evaluating training course effectiveness;

(7) working with the various organizations in the Deparement to improve job performance and productivity; and

(8) developing, implementing, and evaluating (with ADP staff) all training efforts which make use of computer capabilities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Program/Technical Training:			
Courses	258	185	185
Participants	5,681	4,500	4,500
Management Training:			
Courses	54	45	45
Participants	747	650	650
PMS Participant Work Products a/	34,664	61,305	61,305
Management Activities b/			
Course Enrollments:			
Courses	...	147	140
Participants	...	700	700
Management Projects:		40	40
Participants	...	200	200
Instructor Training:			
Sessions	6	10	10
Participants	90	100	100
Contracted Training Products c/	24	20	20

a/ The number of Performance Management System (PMS) products is determined by multiplying the number of PMS participants by the number of work outputs identified and measured.

b/ Beginning in 1986, Management Training's workload items changed to include organizational consulting, Presidential Management Intern Program, Quality Circles, and Special Projects.

c/ Contracted Training Products encompasses products previously displayed as Alternative Instructional Methodologies.

5. PRODUCTIVITY AND MANAGEMENT IMPROVEMENTS STAFF

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End-of-Year....................	9	...	16	16	...
Staff-Years....................	1.0	...	13.1	20.1	+7.0

The Productivity and Management Improvements Staff was established during the latter part of 1985. Staff resources have been made available by the redistribution of staff within this activity, including two positions and two staff-years transferred from the Office of Management and Administrative Services consistent with the transfer of certain management analyses functions. The staff will serve as a resource for both the Office of Administration and for the Department as a whole, and will be responsible for:

-- identifying opportunities for productivity improvement and leading studies in the areas of productivity and management improvements;

-- directing and supporting HUD's program to evaluate the performance of commercial activities (OMB Circular A-76);

-- coordinating and reporting HUD's initiatives for productivity improvement, under the OMB Management Improvement Program;

-- establishing policies and administering the HUD program for organizational management; and

-- establishing policies for and administering the HUD forms management program.

6. INFORMATION POLICIES AND SYSTEMS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year:					
Office of the Director	5	3	4	4	...
Administrative Management Staff	3	6	5	5	...
Information Policy and Management Division	12	12	12	12	...
Planning and Resource Management Division	15	16	16	16	...
Office Information Systems Staff	10	7	7	7	...
Data Preparation Branch	17	...	...	...	...
Total Full-Time Permanent Appointments, End of Year	52	44	44	44	...
Staff-Years	62.4	44.6	50.6	47.5	-3.1

No change to the total number of positions included in the budget estimate is proposed in 1986.

No change to the number of positions is proposed for 1987.

The Office of Information Policies and Systems (IPS) is responsible for managing automated data processing functions funded under the Working Capital Fund (WCF) and certain other functions related to data management--including word processing and micrographics management--funded under this account. The bulk of the organization--automated data processing--is included under the WCF, which is discussed in a later section of this part of the Justifications. However, certain other functions do not meet the WCF centralized services concept and are funded directly under the S&E, HUD account. Those functions and the related staff are included under this budget activity and are discussed in the following material.

(a) Office of the Director. This Office provides management and oversight of ADP operations and services required by the Department and establishes operational priorities and procedures. The director also manages microcomputer and word processing policy and procurement; the Information Resource Management program, and the Information Collection Budget for the Department.

(b) Administrative Management Staff. The Administrative Management Staff develops, manages, administers, and directs general and administrative management and control activities for IPS. The activities include a broad range of functions involving, but not limited to, performance planning, evaluation, and control activities; organizational training and development; personnel administration and staffing; training and development; and general services.

(c) Information Policy and Management Division. This Division is responsible for the formulation, coordination, and implementation of the Information Resource Management (IRM) program throughout the Department, and serves as the IPS Focal Point concerning other Departmental management initiatives. These functions include management of the Departmental privacy and ADP security programs and execution of reports management functions. They also include management of the Information Collection Budget (ICB).

(d) Planning and Resource Management Division. This Division provides a broad range of management planning, monitoring, and organizational control and support services to assist in maintaining and improving overall automation services of the Department, administers a long-range and an annual automation planning process, plans and manages the ADP budget process, and executes IPS's contract monitoring activities.

(e) Office of Information Systems Staff. The staff is responsible for the development of policies and standards for the Department's microcomputer and word processing equipment and software, and technical specifications and statements of work for procurement of microcomputers, word processing equipment, software, and related services. These functions include technical reviews of requests for acquistion and analysis of the utilization of existing equipment. This staff serves as the Departmental clearinghouse for microcomputer and advanced word processing applications.

7. OFFICE OF PROCUREMENT AND CONTRACTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year:					
Office of the Director	4	4	4	4	...
Policy and Evaluation Division	8	9	8	8	...
Research and Demonstration Division	8	8	7	7	...
Administration Support Division	11	12	13	13	...
Community Services Division	8	9	8	8	...
Total Full-Time Permanent Appointments, End-of-Year	39	42	40	40	...
Staff-Years	40.9	43.7	38.2	42.3	+4.1

The staffing reductions reflected in the current estimate for 1986, as compared to the budget estimate, reflects a redistribution of staff based on current priorities and staff resources available.

No additional positions are requested in 1987.

The Office of Procurement and Contracts is responsible for developing procurement policy and for implementing standards and procedures to provide for an effective procurement and contracting program. It is also responsible for awarding and administering contracts, grants, cooperative agreements and interagency agreements, required for Headquarters and for monitoring such activities in the Field.

The staff requirements for this office are derived on the basis of projected workload levels. The following material provides a brief discussion of the duties and responsibilities of each division within the Office and examples of Office workload.

a. Office of the Director. The Director serves as the principal advisor to the Secretary and other Headquarters officials on acquisition and discretionary assistance matters. The Director is responsible for the development of Departmental acquisition plans and policies, discretionary assistance policy, and for overall supervision, management, and direction of the Office of Procurement and Contracts. The Director is assisted by a Deputy Director who acts for the Director in his absence.

b. Policy and Evaluation Division. This Division is responsible for the development, review and improvement of acquisition practices, policies, and procedures throughout the Department. The Division develops acquisition policy applicable to all contracting activities, and monitors and evaluates the implementation and effectiveness of such policies. The Division also develops Departmental policy and guidance relating to the award and administration of discretionary assistance agreements. Other Division responsibilities include: development and implementation of training objectives and programs for personnel involved in the contracting process; and the provision of specialized support services to the Office regarding socioeconomic procurement programs, management information systems, and audit coordination.

c. Research and Demonstration Division. This Division's responsibilities include: the procurement of applied research, analytical and statistical studies and reports, and program evaluations; the provision of financial assistance to state and local agencies and voluntary groups to support the awareness and enforcement of fair housing laws: and the award of grants to provide congregate services to the elderly and handicapped. Major program offices served include; the Office of Policy Development and Research, Office of Fair Housing and Equal Opportunity and the Office of Housing.

d. Administration Support Division. The areas of responsibility assigned to this Division include all requirements which directly or indirectly support the operations of the Department. Purchases are made on the open market as well as against GSA schedule contracts and those of other Federal agencies. The major responsibilities of the Division are: the acquisition of ADP hardware and software; contracts for the conduct of management studies to improve Departmental accounting systems or other administrative processes, and the acquisition of building management services. The Division also awards all contracts and agreements in support of the Consolidated Supply Program.

e. Community Services Division. This Division awards and administers contracts, interagency agreements, grants, and cooperative agreements to support the Office of Community Planning and Development. Principal program support efforts include the award of technical assistances projects in support of Community Development Block Grant recipients and contracts to provide financial management services in support of the rental rehabilitation Section 312 rehabilitation loan programs.

WORKLOAD ITEM	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Contracts:			
Competitive Basic	56	60	70
Non-competitive Basic	22	20	15
Modifications	389	400	425
Task Orders/Specifications	66	70	70
Administration	549	549	604
Close-Outs	160	150	100
Consolidated Supply Contracts	197	225	250
Purchase Orders	4,000	4,200	4,300
Assistance Agreements:			
Competitive Basic	199	200	350
Non-Competitive Basic	65	75	75
Modifications	230	250	350
Administration	928	1,003	1,328
Close-Outs	505	200	100
Interagency Agreements	66	80	80

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Administration and Staff Services

8. OFFICE OF BUDGET

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year:					
Office of the Director......................	5	5	5	5	...
Program Budget Development Division.........	19	20	20	20	...
Budget Management and Systems Division......	15	19	12	12	...
Administrative Expenses Division............	9	9	9	9	...
Total Full-Time Permanent Appointments, End of Year..............................	48	53	46	46	...
Staff-Years..................................	51.7	55.2	45.8	47.3	+1.5

The current year estimate for 1986 is a reduction of seven full-time permanent staff and 9.4 staff-years from the budget estimate. The reductions include the transfer of six positions and six staff-years to the Office of Finance and Accounting (OFA) consistent with the transfer of responsibility for Departmenwide coordination of activities designed to ensure compliance with the Federal Managers' Financial Integrity Act (FMFIA) as required by OMB Circular A-123. The balance of the reduction (one) was a transfer to the newly established Productivity and Management Improvements Staff.

No additional positions are proposed for 1987.

The Office of Budget advises the Assistant Secretary for Administration, the Secretary, the Under Secretary, and other officials of the Department on budget matters, including the budgetary implications of policy and legislative proposals. It formulates, reviews, evaluates, and makes recommendations concerning Departmentwide policies, plans, standards, and basic procedures on budget formulation, presentation, and execution, including the administrative control of funds. The Office also coordinates the submission of budget estimates to the Office of Management and Budget and to the Congress. It serves as the principal point of contact with the Congress, the Office of Management and Budget, the Appropriations Committees, and other Federal agencies on all budget matters and appropriations hearing.

The Office is also responsible for Departmental management planning processes and systems, and the issuance of staff ceilings and monitoring of staff usage for all Departmental elements.

Major elements of the Office of Budget are the Office of the Director, the Program Budget Development Division, the Budget Management and Systems Division, and the Administrative Expenses Division. Their duties are as follows:

a. Office of the Director. The Director advises the Secretary in matters relating to budget formulation, presentation, and execution, and management planning systems. He serves as advisor to other Department officials with respect to these matters and is responsible for the coordination and direction necessary for the internal operations of the Office of Budget.

b. Program Budget Development Division. This Division has primary responsibility for overall office functions relating to the Department's grant, loan, insurance, guarantee, and other assistance programs. It reviews and evaluates budget submissions and proposals, undertakes reviews of operations and evaluates budgetary requirements. It also serves as the focal point on budgetary matters with staff of the Assistant Secretaries and other officials and with the Office of Management and Budget and the Appropriations Committees on matters relating to the preparation and submission of estimates.

c. Budget Management and Systems Division. This Division is responsible for the development and implementation of management and budget systems. This includes responsibilities for management systems such as the Management Plan, the resource allocation guidelines system pertaining to staffing, and the employee time reporting system which both allocates sources and provides information necessary to analyze productivity to assure efficient utilization of resources for achieving Secretarial goals and objectives.

d. Administrative Expenses Division. This Division has overall responsibility for the Department's administrative expenses funds. In addition to assuring proper management of these funds, the Division conducts necessary budgetary reviews and prepares periodic analysis on the status of these funds. The formulation and justification of the Assistant Secretary for Administration's portion of the Salaries and Expenses, HUD and the Working Capital Fund accounts are prepared by the Division and assistance is provided in the associated implementation and monitoring. The Division is also responsible for issuing staffing ceilings and monitoring staff usage for all Departmental elements.

9. EXECUTIVE SECRETARIAT

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year:					
Office of the Special Assistant............	4	5	5	5	...
Secretarial Correspondence Unit............	8	9	8	8	...
Records Maintenance and Mail Messenger Unit.	4	4	4	4	...
Total Full-Time Permanent Appointments, End of Year..............................	16	18	17	17	...
Staff-Years..................................	19.3	18.9	17.4	19.3	...

Approximately level staffing is proposed.

The Executive Secretariat serves as the central coordinating office for all correspondence directed to the Secretary and the Under Secretary and is responsible for providing the following services:

a. reviewing for assignment of action all incoming official correspondence for the Secretary and the Under Secretary;

b. reviewing all material submitted by Departmental units for the attention of the Secretary and the Under Secretary to ensure completeness and proper coordination;

c. monitoring the Secretary's and the Under Secretary's mail for a timely response;

d. reviewing for final clearance all outgoing mail prepared for the signatures of the Secretary and the Under Secretary;

e. ensuring timely and appropriate responses to mail referred to HUD from the White House;

f. maintaining current files on all matters involving the Secretary/Under Secretary's mail, White House mail, GAO reports, Congressional reports, and Departmental policy, and microfilming of the Secretary/Under Secretary's records as required by FPMR 101.11.5;

g. disseminating requests for information emanating personally from the Secretary and the Under Secretary to key personnel for action, and monitoring these assignments in order to meet established deadlines;

h. providing a Correspondence Assistance Team service which aids program areas by: (1) developing a response of either a programmatic or policy nature in situations where a large volume of identical or similar correspondence is addressed to the Secretary; and (2) preparing the responses for the signature of the Secretary, Under Secretary, Assistant Secretary, or other members of the Department's principal staff as appropriate;

i. compiling the Secretary's Monthly Reports from principal staff and reviewing them for format and accuracy before forwarding them to the Secretary;

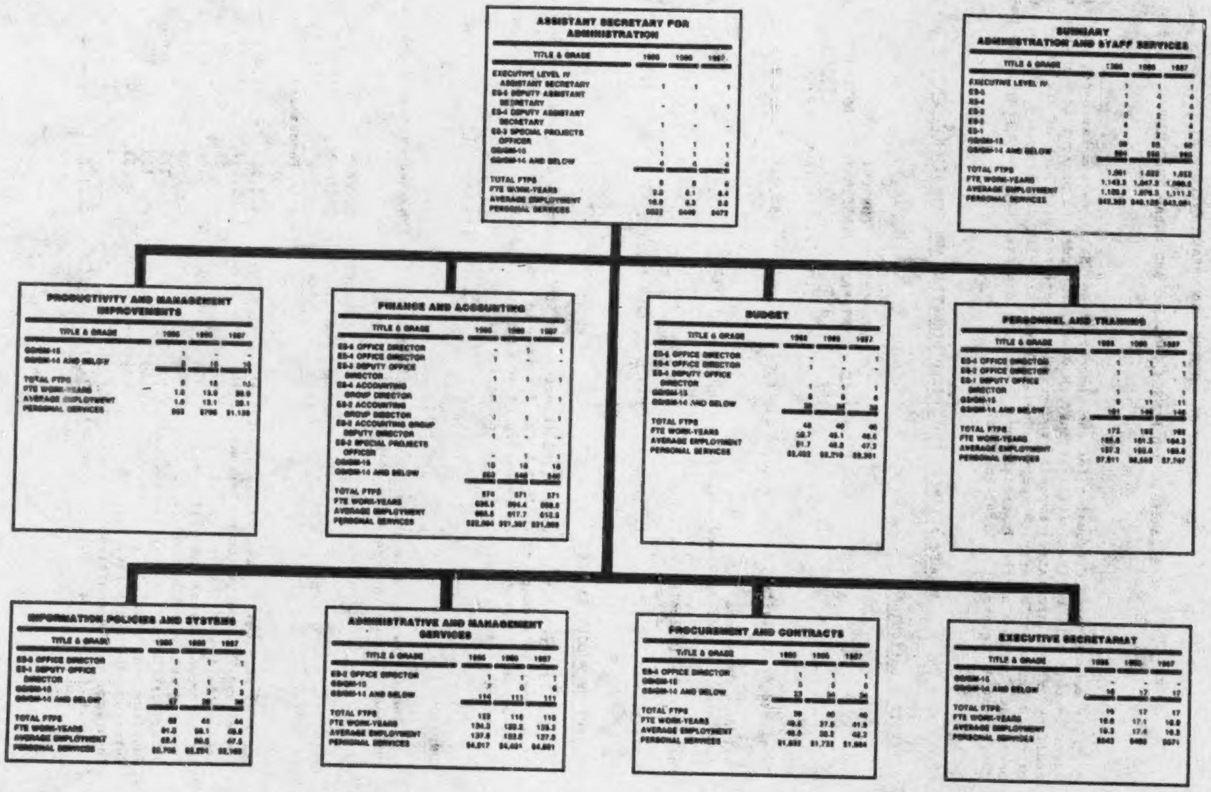
j. preparing the Secretary's Monthly Activities and Completed Actions Report:

k. tracking and dispatching responses to GAO and Congressional reports; and

l. performing special projects as assigned by the Secretary.

The Executive Secretariat handled in excess of 30,000 pieces of correspondence in 1985.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATION AND STAFF SERVICES
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)


ASSISTANT SECRETARY FOR ADMINISTRATION
SUMMARY ADMINISTRATION AND STAFF SERVICES
PRODUCTIVITY AND MANAGEMENT IMPROVEMENTS
FINANCE AND ACCOUNTING
BUDGET
PERSONNEL AND TRAINING
INFORMATION POLICIES AND SYSTEMS
ADMINISTRATIVE AND MANAGEMENT SERVICES
PROCUREMENT AND CONTRACTS
EXECUTIVE SECRETARIAT
TITLE & GRADE
EXECUTIVE LEVEL IV
ASSISTANT SECRETARY
DEPUTY ASSISTANT SECRETARY
SPECIAL PROJECTS OFFICER
OFFICE DIRECTOR
DEPUTY OFFICE DIRECTOR
GS/GM-14 AND BELOW
TOTAL FTPS
FTE WORK-YEARS
AVERAGE EMPLOYMENT
PERSONAL SERVICES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1985, 1986, and 1987.

BUDGET ACTIVITY 13: FIELD DIRECTION AND OPERATIONAL SUPPORT

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Total Budget Activity	$26,637	$24,094	$24,748	$24,282	-$466
Full-Time Permanent Appointments, End of Year	563	514	540	500	-40
Full-Time Equivalents	603.1	562.5	544.8	519.9	-24.9
Staff-Years	610.5	569.5	551.9	528.5	-23.4

SUMMARY OF BUDGET REQUEST

The 1987 request is for $24,282 thousand and 500 positions, a decrease of $466 thousand and 40 positions compared to 1986. The decrease in funds is almost exclusively related to the reduced staffing level. The reduction of 40 positions and 23.4 staff-years is consistent with the overall reduced staffing levels in the field.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Personal Services	$24,491	$22,105	$22,554	$22,063	-$491
Travel and Transportation of Persons	1,181	814	1,147	1,108	-39
Transportation of Things	74	67	85	85	...
Rent, Communications and Utilities	382	394	426	427	+1
Printing and Reproduction	82	76	64	80	+16
Other Services	192	296	228	260	+32
Supplies and Materials	149	175	159	180	+21
Furniture and Equipment	86	163	81	75	-6
Insurance and Indemnities	...	4	4	4	...
Total	$26,637	$24,094	$24,748	$24,282	-$466

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $26,637 thousand were $174 thousand more than the previous estimate of $26,463. The $174 thousand consists of $48 thousand due to higher than anticipated personal services costs and $126 thousand more than anticipated for support costs; principally for travel.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$24,094
Add amendment to restore proposed five percent pay reduction	+1,010
Add action by the Congress on the 1986 request for "Salaries and Expenses".	+407
Add effect of general repricing	+268
Deduct mandated funding reduction	-1,031
Current 1986 estimate	$24,748

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $1,010 thousand;

-- the addition by the Congress of ten staff-years in support of and concurrent with approval by the Congress of higher program levels than requested in the budget requires an increase of $407 thousand;

-- a reassessment of funding needs based on more recent cost and requirement data results in an increase of $268 thousand. The increase is principally due to changes in average salary costs and travel; and

-- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $1,031 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in	Thousands)
Prior year obligations	$26,637	$24,748
Changes to terminal leave and severance pay	+3	+131
Changes to personal services costs due to changes in average employment	-2,350	-956
Changes in average personal services costs	+410	+334
Changes to support costs	+48	+25
Total obligations	$24,748	$24,282

There are net decreases to personal services costs of $1,937 thousand in 1986 and $491 thousand in 1987. The changes are due to the following:

-- changes in terminal leave and severance pay result in increases of $3 thousand in 1986 and $131 thousand in 1987;

-- changes in average employment result in decreases of $2,350 thousand in 1986 and $956 thousand in 1987; and

-- changes in average salary and benefit costs result in increases of $410 thousand in 1986 and $334 thousand in 1987.

There are net increases in non-personal services costs of $48 thousand in 1986 and $25 thousand in 1987, principally for supplies and equipment maintenance.

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

STAFFING SUMMARY

1. **SCOPE OF ACTIVITY**

The Field Direction and Operational Support activity funds staff which direct and manage the Department's Field programs and provide cross-program technical support in the area of economic market analysis and labor relations. Specifically, the Field Direction function includes the staff required for the direction and overall administration of the Department's Field programs and activities in accordance with delegated authority and with policy and other directives of the Secretary or principal officials. Operational Support includes three functions: regional program analysis, economic market analysis (EMA), and labor relations. EMA and labor relations directly support Housing and CPD workload processing.

2. **SUMMARY OF STAFFING REQUIREMENTS**

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year......................	563	514	540	500	-40
Staff-Years........................	610.5	569.5	551.9	528.5	-23.4

The 1986 current estimate of 540 positions and 551.9 staff-years is 26 positions more than the budget estimate and 17.6 staff-years less than the budget estimate. The increase of 26 positions reflects the restoration of one-half of the 52 position reduction associated with the initially proposed but not implemented field reorganization in 1986. The reduction of 17.6 staff-years is the net effect of an increase of 10.0 staff-years provided by the Congress associated with their establishing higher program levels than requested in the budget, offset by a 27.6 staff-year reduction due to reduced funding levels to absorb the reduction of funding in "Salaries and Expenses, HUD" mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

The reduction of 40 positions and 23.4 staff-years in 1987 is consistent with the overall reduced staffing levels in the field.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FIELD DIRECTION AND OPERATIONAL SUPPORT

Detail of Field Staffing

RESOURCE ALLOCATION GUIDELINES	INDICATOR	1985 ACTUAL ACCOMPLISHMENT	1985 ACTUAL UNIT COST	1985 STAFF-YEARS	1986 PROJECTED ACCOMPLISHMENT	1986 PROJECTED UNIT COST	1986 STAFF-YEARS	1987 PROJECTED ACCOMPLISHMENT	1987 PROJECTED UNIT COST	1987 STAFF-YEARS
Field Direction..........	N/A	N/A	N/A	322.5	N/A	N/A	275.9	N/A	N/A	266.3
Other Support (Incl. Prog. Plan. and Eval)....	N/A	N/A	N/A	77.4	N/A	N/A	65.4	N/A	N/A	62.1
Economic and Market Analysis:										
Market Analysis-- Housing................	MF Apps	6,262	21.0	63.0	6,262	21.0	63.0	5,946	21.0	59.8
Market Analysis--CPD....	Apps	2,975	19.0	27.0	2,975	19.0	27.0	2,824	19.0	25.7
Labor Relations:										
Compliance Reviews......	Final Reports	192	478.5	44.0	192	478.5	44.0	182	478.5	41.8
Wage Rate Determinations.........	Projects	2,499	20.3	24.3	2,499	20.3	24.3	2,376	20.3	23.1
Complaints Processed.....	Complaints	22,918	4.8	52.3	22,918	4.8	52.3	21,620	4.8	49.7
Total..............				610.5			551.9			528.5

NOTES:

Field Direction is decreased in 1986 to reflect this activity's share of the $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

The decrease in 1987 is consistent with the overall reduced staffing levels in the Field.

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel	573.3	529.1	504.2
Temporary and Part-Time Employees	31.2	16.6	16.6
Overtime	1.9	1.2	1.2
Terminal Leave	4.1	5.0	6.5
Total Staff-Years	610.5	551.9	528.5

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following two tables indicate the distribution of full-time permanent appointments and staff-years between the Regional and Field Offices by their basic functions.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
FIELD DIRECTION:					
Regional Offices	98	71	86	78	-8
Field Offices	193	198	184	174	-10
Subtotal	291	269	270	252	-18
OPERATIONAL SUPPORT:					
Regional Offices	151	132	148	138	-10
Field Offices	121	113	122	110	-12
Subtotal	272	245	270	248	-22
SUMMARY:					
Regional Offices	249	203	234	216	-18
Field Offices	314	311	306	284	-22
Total Full-Time Permanent Appointments, End of Year	563	514	540	500	-40

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
FIELD DIRECTION:					
Regional Offices	102.3	78.7	87.9	82.4	-5.5
Field Offices	220.2	219.4	188.0	183.9	-4.1
Subtotal	322.5	298.1	275.9	266.3	-9.6
OPERATIONAL SUPPORT:					
Regional Offices	158.6	146.3	151.3	145.9	-5.4
Field Offices	129.4	125.1	124.7	116.3	-8.4
Subtotal	288.0	271.4	276.0	262.2	-13.8
SUMMARY:					
Regional Offices	260.9	225.0	239.2	228.3	-10.9
Field Offices	349.6	344.5	312.7	300.2	-12.5
Total Staff-Years	610.5	569.5	551.9	528.5	-23.4

1. REGIONAL OFFICES

a. FIELD DIRECTION STAFF

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	98	71	86	78	-8
Staff-Years	102.3	78.7	87.9	82.4	-5.5

The Regional Administrator is responsible to the Secretary for administering, within the defined geographic boundaries of the Region, all of the Department's programs and activities in accordance with the program directions of, and subject to delegations of authority from, the Secretary and/or responsible Assistant Secretaries.

Other duties of the Regional Administrator include: coordinating with the related program activities of other Federal departments and agencies having jurisdiction within the same Region; coordinating HUD's activities with state governments within the Region, and serving as the Department's principal field liaison with governors and other state officials; planning, managing and directing the operation of the Regional Office, supervising other Regional Office officials; providing overall management supervision and direction to field offices; and monitoring and evaluating field office performance.

The Regional Administrator is assisted in carrying out these functions by a Deputy Regional Administrator and a small staff of secretaries and specialist aides. These include a Public Affairs Officer, who is responsible for regionwide public affairs services, and two special assistants.

A typical staffing pattern for the Office of Regional Administrator is as follows:

Position	Number
Regional Administrator	1
Deputy Regional Administrator	1
Special Assistants	2
Public Affairs Officer	1
Clerical Support	3
Total	8

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	151	132	148	138	-10
Staff-Years	158.6	146.3	151.3	145.9	-5.4

Each Regional Office has a Regional Economist who supervises a staff of economists performing all field office Economic Market Analysis (EMA) functions and who serves as the principal advisor to the Regional Administrator on economic matters and market analysis aspects of the Department's housing and community planning and development programs. Additionally, the Regional Economist provides economic intelligence and analysis to the Regional Administrator and Headquarters on the condition of the entire regional economy and separate local markets within the Region. The Regional Economist also provides conformity with program standards of Field Office Economists' performance through monitoring and evaluation efforts.

The Regional Labor Relations Officer and staff have, on behalf of the Regional Administrator, primary responsibility for monitoring and evaluating management of labor relations and labor standards enforcement in the field offices as well as providing technical guidance and direction. Additionally, the Officer represents the Regional Administrator on matters of labor relations and labor standards with other government agencies and outside groups, including maintaining liaison with organized labor, particularly the building and construction trades, and contractor associations. The Officer also provides appeal authority and management review of field office decisions arising under Title II, Section 12 of the Housing and Community Development Act of 1974.

The Program Planning and Evaluation Staff has primary responsibility for coordinating on-site management performance evaluation of field offices and conducting program evaluations on how external forces and program design features affect program impact in the Region. This staff also conducts research on housing and urban problems or on questions which affect HUD at the Regional level.

A typical staffing pattern for the Regional Office Operational Support staff is as follows:

Position	Number
Regional Economist and Staff Economists.......	4 (5 in large Regional Offices)
Labor Relations Officer and Staff.............	4 (6 in large Regional Offices)
Program Analysts..............................	2
Clerical Support..............................	0 (1 in large Regional Offices)
Total.......................................	10

2. **FIELD OFFICES**

a. **FIELD DIRECTION STAFF**

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year......................	193	198	184	174	-10
Staff-Years......................	220.2	219.4	188.0	183.9	-4.1

The Field Office Manager is responsible to the Regional Administrator for administering, within a defined geographic area, all of the Department's programs assigned to the field office. These include mortgage insurance and assisted housing programs, housing management, community planning and development, and other programs of the Department.

The Field Office Manager is responsible for administering HUD program fund assignments made by the program Assistant Secretaries (and reallocations made by Regional Administrators) in a manner designed to implement and expedite program and production goals to assure interprogram coordination.

The Field Office Manager is assisted in carrying out these functions by a Deputy, a Special Assistant, and clerical support staff. A typical staffing pattern for the Office of Field Manager is as follows:

Position	Number
Field Office Manager................................	1
Deputy..	1
Special Assistant...................................	1
Clerical Support....................................	3
Total...	6

Salaries and Expenses, Housing and Urban Development
Budget Activity 13: Field Direction and Operational Support

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	121	113	122	110	-12
Staff-Years	129.4	125.1	124.7	116.3	-8.4

The Field Office Labor Relations staff is responsible to the Field Office Manager for ensuring the proper and uniform administration and enforcement of construction labor standards pertinent to all HUD programs within the office jurisdiction and for advising the Field Manager on labor relations matters. Specific functions of a Labor Relations staff include: wage requirements processing, conducting labor standards investigations and compliance reviews, determining maintenance wage rates for public housing agencies, providing technical assistance and guidance to local public agencies on labor standards/labor relations matters, promoting employment and training opportunity for the disadvantaged in HUD programs, preparing recommendations for sanctions against labor standards violations, and supervising the conduct of Davis-Bacon residential wage surveys.

The Field Office Economist supervising the Economic and Market Analysis (EMA) staff is the principal economic advisor to the Field Office Director. Depending on workload requirements, EMA staffs in the various field offices generally range from 2-to-5 professional economists and statistical assistants. EMA provides critical economic and market analysis reviews of all major Housing and CPD program applications. As a result of these cross-program responsibilities, EMA plays a key role in coordinating field office program delivery efforts. For example, EMA review activities provide for integration of Community Development Block Grant Housing Assistance Plans (HAPs), the distribution of assisted housing funds, and review of assisted housing development applications.

Among its specific functions, EMA is responsible for conducting market analyses of assisted and unassisted housing proposals, reviewing UDAG and other economic development program applications, reviewing HAPs, reviewing Fair Market Rent modifications, establishing income limits for assisted housing programs, and coordinating field office housing assistance allocation planning efforts. In order to support these activities and other office needs, EMA also undertakes various comprehensive or special impact studies.

A typical staffing pattern for the Field Office Operational Support staff is as follows:

Position	Number
Labor Relations Specialist	1 (2 in large Field Offices)
Wage Requirements Assistants	1 (2 in large Field Offices)
Field Economists	2 (3 in large Field Offices)
Clerical Support	1
Total	5

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD DIRECTION AND OPERATIONAL SUPPORT
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

OFFICE OF THE REGIONAL ADMINISTRATOR

TITLE & GRADE	1985	1986	1987
REGIONAL ADMINISTRATOR			
ES-5	3	4	4
ES-4	4	4	4
ES-3	3	3	3
DEPUTY REGIONAL ADMINISTRATOR			
ES-4	3	3	3
ES-3	3	4	4
ES-2	4	3	3
GS/GM-15	29	29	29
GS/GM-14 AND BELOW	200	184	166
TOTAL FTPS	249	234	216
FTE WORK-YEARS	266.7	236.1	224.6
AVERAGE EMPLOYMENT	260.9	239.2	228.3
PERSONAL SERVICES	$10,831	$9,775	$9,531

OFFICE OF THE FIELD OFFICE MANAGER

TITLE & GRADE	1985	1986	1987
FIELD OFFICE MANAGER			
ES-4	3	4	4
ES-3	1	1	1
ES-2	3	3	3
ES-1	3	2	2
GS/GM-15	40	42	42
GS/GM-14 AND BELOW	264	254	232
TOTAL FTPS	314	306	284
FTE WORK-YEARS	336.4	308.7	295.3
AVERAGE EMPLOYMENT	349.6	312.7	300.2
PERSONAL SERVICES	$13,660	$12,779	$12,532

SUMMARY FIELD DIRECTION AND OPERATIONAL SUPPORT

TITLE & GRADE	1985	1986	1987
REGIONAL ADMINISTRATOR			
ES-5	3	4	4
ES-4	4	4	4
ES-3	3	3	3
DEPUTY REGIONAL ADMINISTRATOR			
ES-4	3	3	3
ES-3	3	4	4
ES-2	4	3	3
FIELD OFFICE MANAGER			
ES-4	3	4	4
ES-3	1	1	1
ES-2	3	3	3
ES-1	3	2	2
GS/GM-15	69	71	71
GS/GM-14 AND BELOW	464	438	398
TOTAL FTPS	563	540	500
FTE WORK-YEARS	603.1	544.8	519.9
AVERAGE EMPLOYMENT	610.5	551.9	528.5
PERSONAL SERVICES	$24,491	$22,554	$22,063

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion of the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years—1985, 1986, and 1987.

BUDGET ACTIVITY 14: FIELD ADMINISTRATION

ACTIVITY HIGHLIGHTS

	ESTIMATE 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Total Budget Activity	$63,402	$62,238	$58,093	$56,420	-$1,673
Full-Time Permanent Appointments, End of Year	797	725	742	695	-47
Full-Time Equivalents	875.8	774.4	765.2	750.0	-15.2
Staff-Years	903.2	793.0	785.2	771.5	-13.7

SUMMARY OF BUDGET REQUEST

The 1987 request is for $56,420 thousand and 695 positions, a decrease of $1,673 thousand and 47 positions when compared to 1986. The decrease in funds is principally due to a decrease in field space rental costs. The proposed staffing level is consistent with the program and staff levels to be supported in the field.

FUNDING

The following table shows actual obligations for 1985 and estimated obligations for 1986 and 1987 for this activity by object class.

	ESTIMATE 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Personal Services	$25,261	$22,235	$22,467	$22,599	+$132
Travel and Transportation of Persons	496	449	482	462	-20
Transportation of Things	66	94	76	76	...
Rent, Communications and Utilities	35,708	35,183	33,453	31,358	-2,095
GSA Space Rental	(26,393)	(25,908)	(24,954)	(22,782)	(-2,172)
FTS	(4,538)	(4,550)	(3,745)	(3,710)	(-35)
Postal Services	(4,010)	(4,016)	(3,906)	(4,016)	(+110)
All Other	(767)	(709)	(848)	(850)	(+2)
Printing and Reproduction	150	160	119	151	+32
Other Services	1,069	3,363	821	1,046	+225
Supplies and Material	479	409	511	578	+67
Furniture and Equipment	166	339	158	144	-14
Insurance and Indemnities	7	6	6	6	...
Total	63,402	62,238	58,093	56,420	-1,673

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

1. CHANGES TO 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations for $63,402 thousand are $3,029 thousand less than previous estimate of $66,431 thousand. The reduction consists of $538 thousand due to lower than anticipated staff usage and a net decrease of $2,491 thousand for support costs. The support cost reductions were in all categories with the major decrease occurring in space alteration and training.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$62,238
Add amendment to restore proposed five percent pay reduction	+1,016
Add action by the Congress on the 1986 request for "Salaries and Expenses"	+983
Deduct effect of general repricing	-3,010
Deduct mandated funding reduction	-3,134
Current 1986 estimate	58,093

The changes to the funding requirements for 1986 are the result of the following:

-- a decision not to reduce the salaries of Federal employees as initially proposed requires an increase of $1,016 thousand;

-- the addition by the Congress of 21.0 staff-years in support of and concurrent with approval by the Congress of higher program levels than requested in the Budget requires an increase of $983 thousand;

-- a reassessment of funding needs based on more recent cost and requirement data results in a reduction of $3,010 thousand. The reduction consists of:

- $954 thousand due to lower than anticipated space rental costs;
- $805 thousand due to a reduced estimate for Federal Telecommunications System (FTS) changes by the General Services Administration (GSA);
- $555 thousand due to a reduced estimate for average salaries;
- $110 thousand due to a revised estimate for Postal Services, and
- $586 thousand for all other items; and

-- this activity's share of a $25.7 million decrease to the "Salaries and Expenses" account mandated under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) is $3,134 thousand.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$63,402	$58,093
Changes to terminal leave and severance pay	+72	+157
Changes in personal services costs due to reductions in employment	-3,300	-392
Changes in average personal services costs	+434	+367
Changes in major payments to other Federal agencies:		
Office space rental payment to GSA	-1,439	-2,172
Federal Telecommunications System payment to GSA	-793	-35
Postal services payment to the U.S. Postal Service	-104	+110
Changes in training costs	-262	+171
All other changes	+83	+121
Total obligations	58,093	56,420

There is a net decrease in personal services costs of $2,794 thousand in 1986 and a net increase of $132 thousand in 1987. The changes reflect the following:

- changes to terminal leave and severance pay result in increases of $72 thousand in 1986 and $157 thousand in 1987;

- changes in average employment result in decreases of $3,300 thousand in 1986 and $392 thousand in 1987; and

- changes in average salary and benefit costs result in increases of $434 thousand in 1986 and $367 thousand in 1987.

There are net decreases in non-personal services costs of $2,515 thousand in 1986 and $1,805 thousand in 1987. The changes reflect the following:

- Changes in major payments made to other Federal agencies are as follows:

	SPACE RENTAL	FEDERAL TELECOMMUNICATIONS SYSTEM	POSTAL SERVICES
		(Dollars in Thousands)	
1985	$26,393	$4,538	$4,010
Change	-1,439	-793	-104
1986	24,954	3,745	3,906
Change	-2,172	-35	+110
1987	22,782	3,710	4,016

- Space rental funding is based upon estimates provided by the GSA, which is reimbursed for such costs. Field space rental costs are estimated to decrease $1,439 thousand in 1986 and $2,172 thousand in 1987. These decreases anticipate the reduction of square footage required by the Department.

- Estimates provided by the General Services Administration indicate that the cost of utilizing the Federal Telecommunications System (FTS) will decrease $793 thousand in 1986 and $35 thousand in 1987.

- Reimbursements for services to the U.S. Postal Service are estimated to decrease $104 thousand in 1986 and increase $110 thousand in 1987.

- Training costs are reduced $262 thousand in 1986 in response to the funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) and increased $171 thousand in 1987 to a more normal level.

- Changes for all other items, such as travel communication, printing, and supplies, etc. result in increases of $83 thousand in 1986 and $121 thousand in 1987.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Field Administration staff are responsible for all administrative functions in the Department's Regional and Field Offices. Most duties performed--such as accounting, personnel, contracting, and administrative services--provide direct and essential daily support to program operations. Field Administration staff also help program managers to conduct their work responsibly and effectively by providing management and budget services; operational planning and monitoring; and management information services, including reports, statistics, and automated data processing (ADP) operations.

2. WORKLOAD

The workload undertaken by Field Administration staff includes a wide variety of specific functions such as mail delivery and maintenance of inventories of forms and issuances, processing actions to obligate funds, reviewing and paying project accounting vouchers, handling personnel and procurement transactions, conducting management and financial analyses in support of significant decisions by regional officials, and coordinating regionwide administrative functions in support of program accomplishment.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year..................................	797	725	742	695	-47
Staff-years..................................	903.2	793.0	785.2	771.5	-13.7

The current estimate for 1986 is an increase of 17 positions from the budget estimate--from 725 to 742. The staffing changes in 1986 are the net effect of increases provided by the Congress in support of their approval of higher program levels than requested offset by the impact of funds reductions imposed by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

The reduction of 47 positions and 13.7 staff-years in 1987 is consistent with the overall reduced staffing levels to be supported in the field.

The staff-years consist of the following components:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Full-Time Permanent Personnel..............	819.2	735.3	720.1
Temporary and Part-Time Employees...........	67.3	37.0	37.0
Overtime..................................	12.6	7.9	7.9
Terminal Leave..............................	4.1	5.0	6.5
Total Staff-Years..........................	903.2	785.2	771.5

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year-to-year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

EXPLANATION OF STAFFING REQUIREMENTS

The Department has developed and implemented a productivity-based system for establishing field staffing levels, the Resource Allocation Guidelines System (RAGS). For this activity the guidelines differ by type of function performed. For example, the staff for the accounting function is determined by the number of documents processed, personnel staff by the number of field staff supported, and management staff on the basis of local allowances. The staffing allowances reflect the current best estimates for the functions based upon a combination of previously established work measurement standards and consideration of recent procedural and organizational changes. Allowances are used for the General Direction and Contracting Services functions. The following two tables summarize the actual 1985 end-of-year, full-time-permanent staff and staff-years by function in the Regional and Field Offices and in total and provide estimates for 1986 and 1987. The tables are followed by a description of the individual functions.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Offices:					
General Direction	26	12	20	20	...
Accounting Services	185	156	176	169	-7
Personnel Services	134	60	121	102	-19
Administrative Services	83	65	79	74	-5
Management Information Services	73	56	70	68	-2
Management and Budget Services	59	32	53	51	-2
Contracting Services	8	6	8	8	...
Subtotal	568	387	527	492	-35
Field Offices:					
General Direction	63	61	61	60	-1
Personnel Services	26	75	23	23	...
Administrative Services	83	88	79	74	-5
Management Information Services	32	66	30	27	-3
Management and Budget Services	25	48	22	19	-3
Subtotal	229	338	215	203	-12
SUMMARY:					
General Direction	89	73	81	80	-1
Accounting Services	185	156	176	169	-7
Personnel Services	160	135	144	125	-19
Administrative Services	166	153	158	148	-10
Management Information Services	105	122	100	95	-5
Management and Budget Services	84	80	75	70	-5
Contracting Services	8	6	8	8	...
Subtotal	797	725	742	695	-47

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

	STAFF-YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Regional Offices:					
General Direction	25.8	16.5	24.0	23.7	-.3
Accounting Services	208.6	169.6	184.6	184.6	...
Personnel Services	150.3	67.4	130.5	124.2	-6.3
Administrative Services	107.7	70.0	81.3	79.6	-1.7
Management Information Services	72.2	59.2	72.0	70.7	-1.3
Management and Budget Services	57.2	34.8	57.0	55.7	-1.3
Contracting Services	8.4	6.5	8.1	8.1	...
Subtotal	630.2	424.0	557.5	546.6	-10.9
Field Offices:					
General Direction	62.5	62.8	62.1	61.5	-.6
Personnel Services	59.8	84.3	25.0	25.0	...
Administrative Services	83.5	95.0	81.3	79.6	-1.7
Management Information Services	38.5	69.7	31.3	30.3	-1.0
Management and Budget Services	24.6	52.2	23.0	22.0	-1.0
Subtotal	268.9	364.0	222.7	218.4	-4.3
SUMMARY:					
General Direction	88.3	79.3	86.1	85.2	-.9
Accounting Services	208.6	169.6	184.6	184.6	...
Personnel Services	210.1	151.7	155.5	149.2	-6.3
Administrative Services	191.2	165.0	162.6	159.2	-3.4
Management Information Services	110.7	128.9	103.3	101.0	-2.3
Management and Budget Services	81.8	87.0	80.0	77.7	-2.3
Contracting Services	8.4	6.5	8.1	8.1	...
Subtotal	899.1	788.0	780.2	765.0	-15.2
Terminal Leave	4.1	5.0	5.0	6.5	+1.5
Total Staff-years	903.2	793.0	785.2	771.5	-13.7

The following table summarizes actual 1985 RAGS data and the estimates for 1986 and 1987. The data indicates the work units measured, the hours required per unit, and the staff-year requirements derived from those factors.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

FIELD ADMINISTRATION

RESOURCE ALLOCATION GUIDELINES	INDICATOR (Work Unit)	1985			1986			1987		
		ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT COST (Hrs/Unit)	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT COST (Hrs/Unit)	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT COST	STAFF-YEARS
Accounting Services	Documents Processed	674,820	.65	208.6	676,200	.57	184.6	676,200	.57	184.6
Administrative Services	Staff Served	9,097.5	43.9	191.2	8,886.0	38.2	162.6	8,434.5	39.4	159.2
Personnel Services	Staff Served	9,097.5	48.2	210.1	8,886.0	36.5	155.5	8,434.5	36.9	149.2
Management Information Services	Staff Served	8,714.7	26.5	110.7	8,508.0	25.4	103.3	8,048.1	26.2	101.0
Management & Budget Services	Staff Served	8,714.7	19.6	81.8	8,508.0	19.6	80.0	8,048.1	20.2	77.7
Contracting Services a/	...	...	...	8.4	...	...	8.1	...	...	8.1
General Direction a/	...	...	...	88.3	...	...	86.1	...	...	85.2
Terminal Leave	...	...	...	4.1	...	...	5.0	...	...	6.5
Total				903.2			785.2			771.5

a/ Staff provided on the basis of specific allowances.

Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

1. General Direction

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	89	81	80	-1
Staff-Years	88.3	86.1	85.2	-.9

The General Direction function consists of the Immediate Office of the Director of Regional Administration and the Director of Administration in those field offices of sufficient size to warrant such a position and their immediate staffs. The Directors are responsible for the direction, coordination and monitoring of administrative activities in their locales. The Regional Director of Administration is also responsible for overall supervision of such activities throughout the Region and advises the Regional Administrator on matters of administrative management and policies.

The reduction of one position in 1987 is consistent with the overall reduced staffing in the field.

2. Accounting Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	185	176	169	-7
Staff-Years	208.6	184.6	184.6	...

The Regional accounting function is conducted exclusively at the Regional Office level; there are no accounting staff in the Field Offices. The staff provide accounting support to all program and administrative activities, except mortgage insurance programs. They are responsible for processing all travel vouchers and other administrative payments for the Region, maintaining the Department's accounts in the Region, preparing numerous reports and analyses that reflect program and budgetary performance and needs, and providing advice and assistance to local agencies on all accounting requirements relating to HUD programs.

The reduction of 7 positions in 1987 reflects anticipated savings due to the greater use of automated data processing--including the expanded use of microcomputers--and other productivity improvements.

3. Personnel Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	160	144	125	-19
Staff-Years	210.1	155.5	149.2	-6.3

The personnel support function consists of standard personnel services, such as processing merit staffing actions, classification, training, employee counseling and management advisory services. These services are conducted principally at the Regional Office level, but staff are provided to Field Offices in those cases where there are sufficient staff to merit on-site support. Responsibilities of the regional staff include providing guidance and support to the staff in the Field Offices, as well as monitoring their activities.

The staffing level for 1986 reflects HUD's participation in the Administration management reform effort to reduce the numbers of personnelists to governmentwide averages. The reduction of 19 positions in 1987 is consistent with reduced field program workload and staff levels.

4. Administrative Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year................................	166	158	148	-10
Staff-Years................................	191.2	162.6	159.2	-3.4

Administrative services consist of a wide variety of support activities including mail handling, communication services, space management, inventory controls, printing support, and property and paperwork management. Staff are assigned to both Regional and Field Offices with policy guidance and management provided by staff at the Regional level.

The reduction of 10 positions in 1987 is consistent with reduced field program workload and staff levels.

5. Management Information Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year................................	105	100	95	-5
Staff-Years................................	110.7	103.3	101.0	-2.3

Management information services are principally related to automated data processing. The services consist of data management, reporting and information services, the development of local systems, and providing monitoring and technical assistance in the areas of data quality, special studies, and reports and statistics. The services are provided in both Regional and Field Offices with the responsibility for policy guidance and technical assistance residing at the Regional Office level.

The reduction of 5 positions in 1987 reflects the reduced field program workload and staff levels.

6. Management and Budget Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year................................	84	75	70	-5
Staff-Years................................	81.8	80.0	77.7	-2.3

Management and budget services consist of a wide variety of activities, principally fund allocation and monitoring, preparation and justification of annual budgets, organization and management analyses, coordination of the Departmental time reporting system and management plan within the region, and the monitoring and analyses of resource utilization within the Region. The staff providing these services are distributed among both the Regional and Field Offices with the responsibility for coordinating services and providing policy guidance residing at the Regional level.

The reduction of 5 positions in 1987 is consistent with the overall reduced staffing and program levels to be supported in the field.

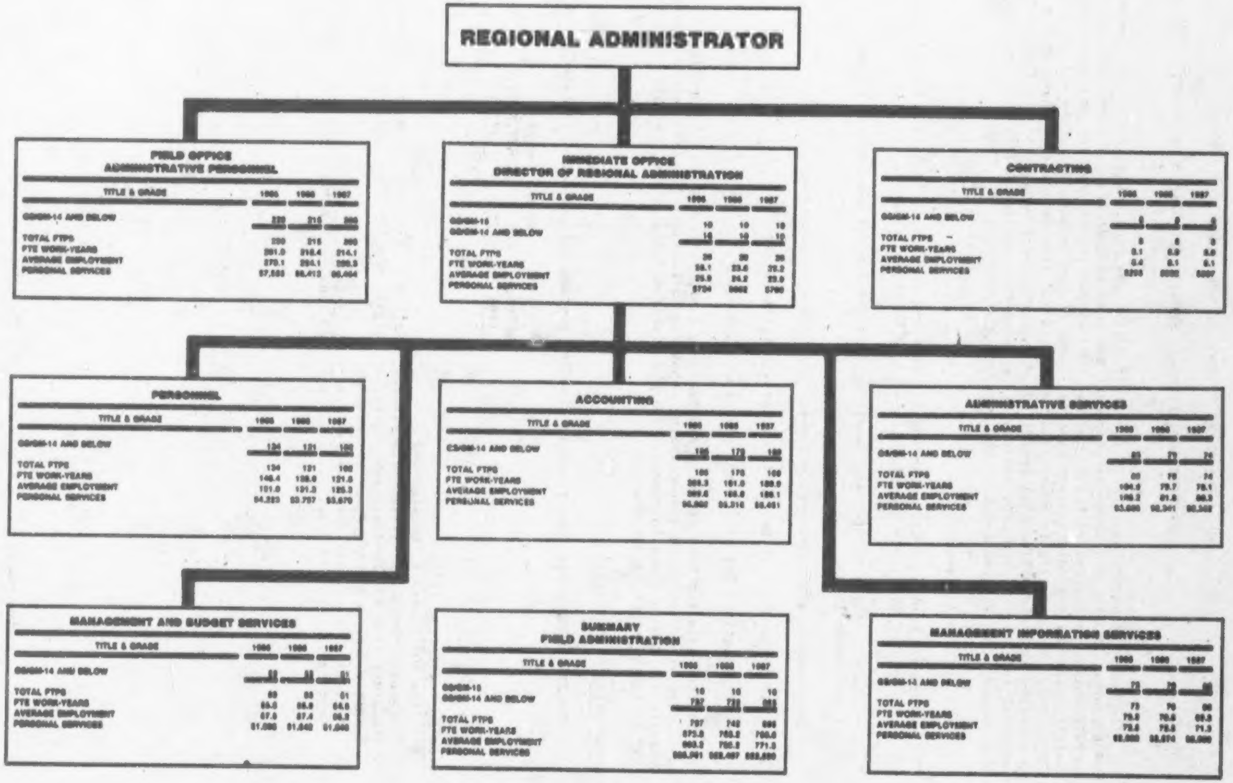
Salaries and Expenses, Housing and Urban Development
Budget Activity 14: Field Administration

7. Contracting Services

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year	8	8	8	...
Staff-Years	8.4	8.1	8.1	...

Principal activities of the Regional Contracting Officer include evaluating and monitoring all Regional procurement to ensure compliance with policies and regulations, placing and administering contracts over $10,000, awarding certain cooperative agreements, and administering grants and cooperative agreements as delegated. This service is conducted at the Regional Office level only.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD ADMINISTRATION
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



FIELD OFFICE ADMINISTRATIVE PERSONNEL

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	220	215	200
TOTAL FTPS	220	215	200
FTE WORK-YEARS	261.0	216.4	214.1
AVERAGE EMPLOYMENT	270.1	224.1	220.3
PERSONAL SERVICES	$7,555	$6,413	$6,404

IMMEDIATE OFFICE DIRECTOR OF REGIONAL ADMINISTRATION

TITLE & GRADE	1985	1986	1987
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	16	10	10
TOTAL FTPS	26	20	20
FTE WORK-YEARS	26.1	23.6	22.2
AVERAGE EMPLOYMENT	25.9	24.2	23.0
PERSONAL SERVICES	$724	$662	$700

CONTRACTING

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	8	8	8
TOTAL FTPS	8	8	8
FTE WORK-YEARS	8.1	8.0	8.0
AVERAGE EMPLOYMENT	8.4	8.1	8.1
PERSONAL SERVICES	$255	$262	$267

PERSONNEL

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	134	121	108
TOTAL FTPS	134	121	108
FTE WORK-YEARS	148.4	128.8	121.8
AVERAGE EMPLOYMENT	151.0	131.3	125.3
PERSONAL SERVICES	$4,223	$3,757	$3,670

ACCOUNTING

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	186	170	168
TOTAL FTPS	186	170	168
FTE WORK-YEARS	203.3	181.0	180.0
AVERAGE EMPLOYMENT	209.6	186.8	186.1
PERSONAL SERVICES	$5,862	$5,316	$5,451

ADMINISTRATIVE SERVICES

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	83	75	74
TOTAL FTPS	83	75	74
FTE WORK-YEARS	104.0	79.7	78.1
AVERAGE EMPLOYMENT	109.2	81.6	80.3
PERSONAL SERVICES	$3,000	$2,341	$2,302

MANAGEMENT AND BUDGET SERVICES

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	83	83	81
TOTAL FTPS	83	83	81
FTE WORK-YEARS	85.0	85.8	84.8
AVERAGE EMPLOYMENT	87.8	87.4	86.3
PERSONAL SERVICES	$1,986	$1,842	$1,846

SUMMARY FIELD ADMINISTRATION

TITLE & GRADE	1985	1986	1987
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	787	732	680
TOTAL FTPS	797	742	690
FTE WORK-YEARS	875.8	753.2	700.6
AVERAGE EMPLOYMENT	903.2	752.3	771.3
PERSONAL SERVICES	$26,951	$22,487	$22,590

MANAGEMENT INFORMATION SERVICES

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	73	70	80
TOTAL FTPS	73	70	80
FTE WORK-YEARS	75.3	70.6	69.3
AVERAGE EMPLOYMENT	73.6	73.6	71.3
PERSONAL SERVICES	$2,000	$2,074	$2,060

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URAN DEVELOPMENT

The Budget request for each of the staff activities funded within the appropriation "Salaries and Expenses, Housing and Urban Development" has been included in the respective sections of the Justifications associated with the programs they support. This section provides a consolidated justification for all salaries and expenses funds of the Department. Pursuant to 12 U.S.C. 1701(c)(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures.

This section includes:

-- summary tables of all financing for staffing and related expenses for the Department by source of funds, by budget activity, and by object class;

-- summary tables of staffing levels by organization for the various categories of employment and grade level;

-- a summary explanation of proposed increases and decreases;

-- an explanation of personal services obligations; and

-- explanations for all other objects of expense.

FY 1986 data for both staffing and funding, i.e., staff and object/subobject class, are consistent with a proposed reprogramming submitted on February 27, 1986 to the Appropriations Committees. Should there be changes from the distribution proposed for 1986, some changes to the 1987 estimates might be necessary.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and personnel included in this request.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
From Appropriation Bill:					
Salaries and Expenses, Housing and Urban Development	$288,316	$313,425	$321,961	$314,056	+$7,905
Transfers from FHA Fund	281,912 a/	225,574	240,594	259,783	+19,189
Transfer from Revolving Fund (Liquidating Programs)	...	950	...	...	...
Subtotal	570,228	539,949	562,555	573,839	-11,284

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Other Transfers:					
Government National Mortgage Association..	$3,412	$3,450	$3,437	$5,082	+$1,645
Solar Energy and Energy Conservation Bank.	328	275	273	...	-273
Interstate Land Sales Registration Fees...	574	1,345	766	1,400	+634
Manufactured Housing Fees................	1,051	1,367	845	1,200	+355
Consolidated Fee Account..................	3,000	3,000	3,376	3,006	-370
Section 108 Guarantee Fees................	18	...	...	...	...
Miscellaneous............................	269	...	275	...	-275
Subtotal................................	8,652	9,437	8,972	10,688	+1,716
Unobligated Balance Lapsing................	-2,910	...	...b/	...	...
Total Obligations........................	575,970	549,386	571,527	584,527	+13,000
Sequestrations Required Under P.L. 99-177 Reflected Above:					
(Salaries and Expenses, HUD)..............	...	...	14,466	...	-14,666
(Transfers from FHA Fund)..................	...	...	10,810	...	-10,810
Other Transfers..........................	...	...	465	...	-465
Total, Sequestrations....................	...	...	25,741	...	-25,741
Full-Time Permanent Appointments, End of Year..............................	11,125	10,618	10,933	10,545	-388
Full-Time Equivalents......................	11,825	11,182	11,473	11,034	-439
Staff-Years................................	12,065	11,402	11,648	11,229	-419

a/ Reflects return to FHA of $6,885 thousand of enacted limitation of $288,797 thousand.

b/ The budget reflects a $302 thousand balance lapsing pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriation Act, 1986.

FINANCING CHANGES

The 1986 Budget estimate of income assumed the enactment of legislation which would permit the collection of a loan application fee sufficient to finance the administrative costs for the Rehabilitation Loan program and the enactment of legislation which would permit increasing the fees associated with the Interstate Land Sales and Manufactured Housing programs to levels which would be sufficient to fully finance all administrative costs. However, no action was taken on these proposals. The current 1986 estimates do not anticipate any fees from the Rehabilitation Loan program and assume the previous rates for Interstate Land Sales and Manufactured Housing fees, as well as sequestrations required under the Balanced Budget and Emergency Deficit Control Act, P.L. 99-177 (Gramm-Rudman-Hollings). The 1987 estimates for the latter two accounts again assume enactment of legislation which would permit the Department to increase the fees.

SUMMARY OF BUDGET REQUEST

The funds requested for 1987 total $573,839 thousand, of which $314,056 thousand is requested in appropriated funds, $259,783 thousand is proposed to be transferred from FHA Funds. Including reimbursements, fees, and other sources, the total obligations for "Salaries and Expenses, Housing and Urban Development" are estimated to be $584,527 thousand. These funds will provide an end-of-year full-time permanent staff of 10,545 and support 11,034 full-time equivalent staff and 11,229 staff-years during the course of the fiscal year.

ESTIMATED OBLIGATIONS

The following table provides a comparison of the actual 1985 and estimated 1986 and 1987 obligations for each of the Department's activities. A discussion of each of the activities is included in the respective sections of the Justifications associated with the programs they support.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Housing Programs	$198,243	$183,814	$200,182	$196,378	-$3,804
Public and Indian Housing	41,159	46,293	44,975	46,669	+1,694
Government National Mortgage Association	3,412	3,450	4,569	5,082	+513
Solar Energy and Energy Conservation Bank	328	275	273	160	-113
Community Planning and Development	58,642	52,116	53,469	46,237	-7,232
Policy Development and Research	10,350	10,048	8,928	8,834	-94
Fair Housing and Equal Opportunity	25,694	26,521	25,918	27,768	+1,850
Departmental Management	8,969	8,768	8,556	9,119	+563
General Counsel	12,099	11,880	12,478	13,486	+1,008
Field Legal Services	11,498	11,988	11,590	12,382	+792
Inspector General	23,870	23,753	23,548	24,897	+1,349
Administration and Staff Services	91,667	84,148	94,200	112,813	+18,613
Field Direction and Operational Support	26,637	24,094	24,748	24,282	-466
Field Administration	63,402	62,238	58,093	56,420	-1,673
Total Obligations	575,970	549,386	571,527	584,527	+13,000

The table below displays total obligations by object class and is followed by discussions of the estimates.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Personal Services	$435,059	$402,018	$424,971	$418,705	-$6,266
Travel and Transportation of Persons	12,515	12,838	12,778	13,300	+522
Transportation of Things	607	700	700	700	...
Rent, Communications and Utilities	56,426	56,845	55,408	60,540	+5,132
Printing and Reproduction	6,654	6,300	6,000	7,200	+1,200
Other Services	55,620	61,785	62,629	74,892	+12,263
Supplies and Materials	3,834	4,250	4,100	4,640	+540
Furniture and Equipment	4,953	4,400	4,691	4,300	-319
Insurance and Indemnities	302	250	250	250	...
Total Obligations	575,970	549,386	571,527	584,527	+13,000

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $575,970 thousand are $8,939 thousand less than the $584,909 thousand previously projected. The reduction consists of $6,743 thousand of personal services costs, and $2,196 thousand of support costs. The reduced personal services costs primarily reflect lower than anticipated average salary costs which is due to the use of more relatively low cost temporary staff and less full-time permanent staff than planned. The reduced funding level for support costs was principally in the areas of communications, equipment rental and general support services.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the budget estimate as follows:

	(Dollars in Thousands)
Budget request	$549,386
Add amendments to the Budget request	+27,432
Add action by the Congress on the 1985 appropriation request for "Salaries and Expenses"	+20,450
Less mandated funding reduction	-25,741
Current 1986 estimate	571,527

Salaries and Expenses, Housing and Urban Development

The changes in funding requirements for 1986 are the result of the following:

-- two amendments to the Budget consisting of:

- +$18,232 thousand consistent with the withdrawal of the proposal to reduce the salaries of federal employees five percent, and

- +$9,200 thousand to support an increase of 261 staff-years for unanticipated increases to the level of activity in the Single Family Mortgage Insurance program;

-- an increase of $20,450 thousand provided by the Congress for an additional 521 staff-years required to support Congressional approval of higher program levels than were requested in the Budget, and

-- a reduction of $25,741 thousand and 550 staff-years to comply with the Balanced Budget and Emergency Deficit Control Act, P.L. 99-177 (Gramm-Rudman-Hollings).

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$575,970	$571,527
Changes to terminal leave payments	-63	+799
Changes to severance pay and unemployment compensation	-403	+1,200
Changes to personal services costs due to changes in employment	-15,416	-16,702
Changes to average personal services costs	+5,537	+7,418
Increase to payment to Employee's Compensation Fund, Department of Labor	+257	+1,019
Changes to office space rental payment to GSA	-1,266	+4,600
Changes to HUD Headquarters Building utilities costs	+117	+195
Changes to HUD Headquarters Building operations costs	+732	+366
Changes to Printing costs	-654	+1,200
Changes to technical services costs	+1,589	+2,244
Changes to equipment maintenance costs	+690	+550
Changes to automated data processing services costs	+3,871	+8,500
Changes to supplies and materials costs	+266	+540
All other changes	+300	+1,071
Total obligations	571,527	584,527

There are net decreases to personal services costs of $10,088 thousand in 1986 and $6,266 thousand in 1987. The changes are due to the following:

-- terminal leave costs, which are lump sum payments for unused annual leave made to employees who leave the Federal service, are expected to decrease $63 thousand in 1986 and to increase $799 thousand in 1987.

-- severance and unemployment compensation payments are expected to decrease $403 thousand in 1986 and increase $1,200 thousand in 1987.

-- a decrease of 417 staff-years results in a reduction of $15,416 thousand during 1986. A further decrease of 419 staff-years in 1987 results in a further reduction of $16,702 thousand.

-- changes in average personal services costs result in increases of $5,537 thousand in 1986 and $7,418 thousand in 1987.

-- mandatory payments to the Employees' Compensation Fund of the Department of Labor for continuing job-related medical care for former employees increases by $257 thousand in 1986 and $1,019 thousand in 1987.

Salaries and Expenses, Housing and Urban Development

There are net increases for support costs of $5,645 thousand in 1986 and $19,266 thousand in 1987. The changes are due to the following:

— Payments to the General Services Administration (GSA) for space rental are expected to decrease $1,266 thousand during 1986 and increase $4,600 thousand during 1987. The decrease in 1986 reflects the continuing reduction in space usage by the Department. No expansion is planned during 1987 but rate increases issued by GSA will result in an increase of $4,600 thousand.

— The Department is responsible for the operations and maintenance of the HUD Headquarters Building. Costs for this purpose are expected to increase as follows:

* utilities costs—gas, electricity, and steam—are expected to increase $117 thousand in 1986 and an additional $195 thousand during 1987.

* all other costs, such as repairs, cleaning, painting, security services, etc., are expected to increase $732 thousand in 1986 and $366 thousand in 1987.

— Printing activities are being constrained and deferred during 1986 in order to remain within the funding levels imposed by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). This results in a decrease of $654 thousand during 1986. An increase of $1,200 thousand in 1987 permits the completion of deferred items, a return to a more normal level, and a general emphasis on micrographics.

— Contracts for Technical Services are expected to increase $1,589 thousand in 1986, and $2,244 thousand in 1987. The increase in 1986 is almost exclusively due to a contract for the support of comprehensive reviews of troubled Public and Indian Housing authorities and is described in detail in the Administrative Expenses section of the justification for Public and Indian Housing in Part 1 of the Justifications. The increase in 1987 is principally $1,800 thousand under the Administration and Staff Services activity for a contract to have an outside agency process the Department's payroll in lieu of in-house staff. The balance of the increase is essentially an increase of $221 thousand for the Public and Indian Housing comprehensive reviews discussed under the 1986 increase and $200 thousand for increased research services for the Office of General Counsel. All contracts are discussed in greater detail in separate sections of the Justifications for the individual activities.

— The increase of $690 thousand for equipment maintenance in 1986 and the further increase of $550 thousand in 1987 supports the increased procurement and utilization of word processors and microcomputers by the Department.

— There are increases of $3,871 thousand in 1986 and $8,500 thousand in 1987 for automated data processing. The increases are due to the continuing expanded use of such capabilities, particularly by the expansion to the various field offices through the growing HUD Telecommunications Network (HTN II) and other on-line terminal capabilities. The expanded usage is designed to permit the Department to be more responsible to its clientele, improve its management, and increase the productivity of its employees. The Department's total automated data processing function is discussed in detail in the Working Capital Fund section of these Justifications.

— Supplies and materials costs are expected to increase $266 thousand in 1986 and $540 thousand in 1987 to support the increased use of microcomputers and word processors throughout the Department.

-- There are net increases of $300 thousand and $1,071 thousand in 1986 and 1987, respectively, for the great variety of other items, such as travel, equipment rental, health care for employees, audit services, and visual arts services, which are included under this account. The relatively larger increase in 1987 provides for items modified or deferred during 1986 in order to remain within the funding level imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS

PERSONAL SERVICES

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Overtime..............................	$3,508	$2,223	$2,308	$2,308	...
Terminal Leave........................	2,763	4,255	2,700	3,500	+800
Payments to Former Personnel........	4,065	7,118	3,918	6,137	+2,219
All Other Personnel Services........	424,723	388,422	416,045	406,760	-9,285
Total..............................	435,059	402,018	424,971	418,705	-6,266

Personal services costs include all salaries and personnel benefits which are paid by the Department. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments.

Personal services costs also include payments to or for former personnel. These consist of payments made to the Employees' Compensation Fund (ECF) for the medical support of former employees who have job-related medical problems and payments made to the Federal Employment Compensation Account (FECA), which is a vehicle for reimbursing the various states for unemployment compensation payments made to former HUD employees. Both of these accounts are administered by the Department of Labor. In addition, severance pay for employees who have been involuntarily separated is directly provided to eligible former employees.

The current estimate for 1986 is $23.0 million more than the budget estimate. The increase results from two actions. The first is the restoration of $18.2 million consistent with an amendment to withdraw a proposal to reduce the salary of federal employees five percent. The second is the net effect of a $4.8 million increase of funds provided by the Congress for additional staff to support their approval of higher program levels than included in the budget request offset by reductions required to remain within the funding levels imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

The staffing levels are discussed in detail in the following material.

1. STAFF-YEARS

In prior years this section provided estimates of the number of staff with full-time permanent appointments onboard at the end of the fiscal year. Beginning with Congressional action on the 1986 Budget, however, the Appropriations Committees provided directions in terms of staff-years, which is a better measure of both staff requirements and the funds required for salary and benefits. Data on permanent full-time staff previously discussed here is provided in a subsequent section.

Estimates of staff-year usage are set forth in detail in the individual administrative expenses sections for each activity in HUD. The following table summarizes the staff-year usage for the Department by the various elements and is followed by a summary of changes in staffing since the 1986 budget was submitted and an explanation of the staffing changes being requested for 1987.

Salaries and Expenses, Housing and Urban Development

STAFF-YEAR SUMMARY

ACTIVITY	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Housing Programs:					
Washington	527.8	515.8	491.2	514.6	+23.4
Field	4,573.6	4,281.0	4,678.1	4,418.4	-259.7
Total	5,101.4	4,796.8	5,169.3	4,933.0	-236.3
Public and Indian Housing:					
Washington	131.5	140.3	142.9	143.2	+.3
Field	973.8	973.0	961.1	960.2	-.9
Total	1,105.3	1,113.3	1,104.0	1,103.4	-.6
Government National Mortgage Association:					
Washington	55.0	54.3	51.7	54.4	+2.7
Solar Energy and Energy Conservation Bank:					
Washington	6.1	4.1	3.9	2.1	-1.8
Community Planning and Development:					
Washington	290.7	253.4	268.5	240.7	-27.8
Field	944.8	861.5	835.7	641.3	-194.4
Total	1,235.5	1,114.9	1,104.2	882.0	-222.2
Policy Development and Research:					
Washington	157.0	158.5	142.0	132.0	-10.0
Field	...	1.8	...	...	...
Total	157.0	160.3	142.0	132.0	-10.0
Fair Housing and Equal Opportunity:					
Washington	127.7	135.4	128.9	127.6	-1.3
Field	439.1	460.3	438.2	460.2	+22.0
Total	566.8	595.7	567.1	587.8	+20.7
Departmental Management:					
Washington	148.7	149.6	142.4	143.6	+1.2
Office General Counsel:					
Washington	230.7	224.8	216.0	225.0	+9.0
Field Legal Services:					
Field	269.7	270.8	257.8	268.0	+10.2
Office of Inspector General:					
Washington	106.7	100.2	98.0	100.5	+2.5
Field	382.8	386.7	378.0	386.4	+8.4
Total	489.5	486.9	476.0	486.9	+10.9
Administration:					
Washington:					
Administration and Staff Services (S&E)	1,185.8	1,067.6	1,076.3	1,111.2	+34.9
Working Capital Fund	276.5	261.5	247.2	260.6	+13.4
Total	1,462.3	1,329.1	1,323.5	1,371.8	+48.3
Field Direction and Operational Support:					
Field	610.5	569.5	551.9	528.5	-23.4
Field Administration:					
Field	903.2	793.0	785.2	771.5	-13.7
Total Staff-Years	12,341.7	11,663.1	11,895.0	11,490.0	-405.0

Salaries and Expenses, Housing and Urban Development

Recapitulation:					
Washington	3,244.2	3,065.5	3,009.0	3,055.5	+46.5
Field:					
Regions	8,691.7	8,187.6	8,485.0	8,025.1	-459.9
Other	405.8	410.0	401.0	409.4	+8.4
Subtotal, Field	9,097.5	8,597.6	8,886.0	8,434.5	-451.5
Total Staff-Years	12,341.7	11,663.1	11,895.0	11,490.0	-405.0
Less Working Capital Fund	-276.5	-261.5	-247.2	-260.6	-13.4
S&E, HUD Staff-Years	12,065.2	11,401.6	11,647.8	11,229.4	-418.4

a. Changes from 1986 Budget.

The initial request was for 11,663.1 staff-years. An amendment requesting additional staff for unanticipated increased activity in the single family mortgage insurance program and the addition by the Congress of staff to support their approval of higher program levels than were requested in the budget resulted in an increase of 782 staff-years.

After minor adjustments for functional transfers, a net reduction of 550.1 staff-years was distributed in order to comply with the funding levels resulting from the imposition of the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The latter redistribution of staff indicated and reflected in the "Current Estimate" column is the same as that discussed in the reprogramming request submitted to the Committees on Appropriations, on February 27, 1986.

	ORIGINAL BUDGET	AMENDMENT	ENACTED	FUNCTIONAL TRANSFERS	GRAMM-RUDMAN-HOLLINGS	CURRENT REQUEST	NET CHANGE FROM ORIGINAL BUDGET
Housing Programs	4,796.8	+261.0	+308.0	-2 a/	-194.5	5,169.3	+372.5
Public and Indian Housing	1,113.3	...	+97.0	+2 a/	-108.3	1,104.0	-9.3
Government National Mortgage Association	54.3	...	...	...	-2.6	51.7	-2.6
Solar Energy and Energy Conservation Bank	4.1	...	...	...	-0.2	3.9	-0.2
Community Planning and Development	1,114.9	...	+72.0	...	-2.7	1,104.2	-10.7
Policy Development and Research	160.3	...	-2.0	...	-16.3	142.0	-18.3
Fair Housing and Equal Opportunity	595.7	...	...	-4 b/	-24.6	567.1	-28.6
Departmental Management	149.6	...	...	+4 b/	-11.2	142.4	-7.2
Office of General Counsel	224.8	...	+2.0	...	-10.8	216.0	-8.8
Field Legal Services	270.8	...	...	...	-13.0	257.8	-13.0
Office of Inspector General	486.9	...	+13.0	...	-23.9	476.0	-10.9
Administration and Staff Services	1,067.6	...	...	...	+8.7	1,076.3	+8.7
Working Capital Fund	261.5	...	...	...	-14.3	247.2	-14.3
Field Direction and Operational Support	569.5	...	+10.0	...	-27.6	551.9	-17.6
Field Administration	793.0	...	+21.0	...	-28.8	785.2	-7.8
Total	11,663.1	+261.0	+521.0	...	-550.1	11,895.0	+231.9

a/ Reflects the transfer of the Section 23 Leased Housing Program from Housing to Public and Indian Housing.

b/ Reflects the transfer of coordinating HUD activities associated with providing assistance and guidance to minority business enterprises under Executive Order 11625 from Fair Housing and Equal Opportunity to Departmental Management.

b. Changes in 1987.

The total Departmental request is for 11,490 staff-years in 1987, a decrease of 405 staff-years from the 1986 level of 11,895. These totals include 247.2 and 260.6 staff-years for the Working Capital Fund in both 1986 and 1987, respectively. Thus, the staffing levels funded under "Salaries and Expenses, HUD" are 11,647.8 in 1986 and 11,229.4 in 1987, which is a decrease of 418.4 staff-years in 1987. The changes to the staffing levels for the individual activities are discussed in detail in their respective sections of the Justifications. The various increases and decreases, briefly summarized, are:

-263.3 staff-years for Housing. All in the Field, primarily due to the proposed changes in the FHA activities;

+2.7 staff-years for the Government National Mortgage Association consistent with anticipated workload levels;

-1.8 staff-years for the Solar Energy and Energy Conservation Bank consistent with the termination of the program;

-222.2 staff-years for Community Planning and Development consistent with the discontinuation of the Urban Development Action Grant program during 1986 and decreased activity in the Community Development Block Grant program;

-10.0 staff-years for Policy Development and Research consistent with overall reductions to Departmental staff and program levels and to provide relief to higher priority areas of the Department;

+20.7 positions in Headquarters for Fair Housing and Equal Opportunity for the proposed Fair Housing Initiatives program and to support the Department's Desegregation Task Force;

+79.6 staff-years for all other activities which essentially reflects a restoration of staff to a level more consistent with workload levels than the depressed levels required during 1986 due to the funding constraints resulting from the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

Salaries and Expenses, Housing and Urban Development

2. STAFF-YEARS BY EMPLOYMENT CATEGORY

A number of other employment programs are needed to complement the efforts of the permanent staff. This includes special employment programs--in which employees with full-time permanent, temporary or part-time status may participate--and overtime, as well as the use of regular temporary and part-time staff to assist in meeting workload peaks. A summary table of staff-years for all categories of employment and more detailed description of other than full-time permanent employment follow.

STAFF-YEARS FOR ALL CATEGORIES OF EMPLOYMENT

ACTIVITY	FULL-TIME PERMANENT	OTHER	OVERTIME	TERMINAL LEAVE	TOTAL
Housing Programs:					
1985	4,725.9	271.4	67.6	36.5	5,101.4
1986	4,957.1	144.8	42.6	24.8	5,169.3
1987	4,713.6	144.8	42.6	32.0	4,933.0
Public and Indian Housing:					
1985	1,062.1	30.0	4.8	8.4	1,105.3
1986	1,076.6	16.4	3.0	8.0	1,104.0
1987	1,073.6	16.4	3.0	10.4	1,103.4
Government National Mortgage Association:					
1985	54.5	...	.2	.3	55.0
1986	51.1	.2	.1	.3	51.7
1987	53.7	.2	.1	.4	54.4
Solar Energy and Energy Coservation Bank:					
1985	5.0	1.1	...	...	6.1
1986	3.8	...	...	.1	3.9
1987	2.0	...	...	.1	2.1
Community Planning and Development:					
1985	1,187.5	39.7	1.5	6.8	1,235.5
1986	1,070.6	20.5	.9	12.2	1,104.2
1987	844.6	20.5	.9	16.0	882.0
Policy Development and Research:					
1985	143.1	12.4	.9	.6	157.0
1986	132.8	6.6	.6	2.0	142.0
1987	121.8	6.6	.6	3.0	132.0
Fair Housing and Equal Opportunity:					
1985	540.9	23.3	1.2	1.4	566.8
1986	552.2	12.9	.7	1.3	567.1
1987	572.4	12.9	.7	1.8	587.8
Departmental Management:					
1985	133.0	13.5	1.7	.5	148.7
1986	133.6	7.2	1.1	.5	142.4
1987	134.7	7.2	1.1	.6	143.6
General Counsel:					
1985	223.6	5.0	.9	1.2	230.7
1986	211.8	2.6	.6	1.0	216.0
1987	220.8	2.6	.6	1.0	225.0
Field Legal Services:					
1985	245.1	22.8	.6	1.2	269.7
1986	244.3	12.1	.4	1.0	257.8
1987	246.3	20.3	.4	1.0	268.0

Salaries and Expenses, Housing and Urban Development

STAFF-YEARS FOR ALL CATEGORIES OF EMPLOYMENT

ACTIVITY	FULL-TIME PERMANENT	OTHER	OVERTIME	TERMINAL LEAVE	TOTAL
Inspector General:					
1985	485.8	1.7	.4	1.6	489.5
1986	473.3	.9	.3	1.5	476.0
1987	483.8	.9	.3	1.9	486.9
Administration and Staff Services:					
1985	1,061.6	90.5	28.6	5.1	1,185.8
1986	1,004.7	39.5	18.0	5.1	1,076.3
1987	1,037.8	48.8	18.0	6.6	1,111.2
Field Direction and Operational Support:					
1985	573.3	31.2	1.9	4.1	610.5
1986	529.1	16.6	1.2	5.0	551.9
1987	504.2	16.6	1.2	6.5	528.5
Field Administration:					
1985	819.2	67.3	12.6	4.1	903.2
1986	735.3	37.0	7.9	5.0	785.2
1987	720.1	37.0	7.9	6.5	771.5
Total Salaries and Expenses, Housing and Urban Development:					
1985	11,260.6	609.9	122.9	71.8	12,065.2
1986	11,176.3	326.3	77.4	67.8	11,647.8
1987	10,729.4	334.8	77.4	87.8	11,229.4

a. Special Employment Programs

HUD's Special Employment Programs represent an approach to the recruitment and management of staff resources which balances direct hiring with in-house opportunities for training employees. Participants may have either permanent or temporary status. The latter are generally in the College Cooperative or Summer College Programs and the Worker Trainee or Stay-in School Programs. The following two tables list the individual programs included under this category and indicate the end-of-year number of employees and staff-years for each of the programs--the actual for 1985 and estimates for 1986 and 1987. All figures represent details which are subsumed under the permanent full-time or temporary employees totals. The tables are followed by a brief description of each of the programs.

Salaries and Expenses, Housing and Urban Development

SPECIAL EMPLOYMENT PROGRAMS
END OF FISCAL YEAR EMPLOYMENT

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Professional:			
Interns	14	14	13
College Cooperative a/	22	...	...
Federal Junior Fellowship	...	...	...
Part-Time Professional	29	28	27
Summer College a/	2	...	...
Subtotal, Professional	67	42	40
Para-Professional:			
Upward Mobility	61	61	59
Clerical:			
Worker-Trainees	1	1	1
Summer Aid and Stay-in-School	74	49	49
Subtotal, Clerical	75	50	50
Veteran Readjustment	16	16	16
Selective Placement	19	19	19
Total Employment	238	188	184

a/ Student programs. Generally not on the Department rolls on September 30, but participate during the year. Staff-year table indicates level of participation.

SPECIAL EMPLOYMENT PROGRAMS
STAFF-YEARS

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Professional:			
Interns	12.6	14.5	13.2
College Cooperative	14.6	14.1	13.3
Federal Junior Fellowship	.4	.3	.3
Part-Time Professional	23.8	23.3	22.8
Summer College	8.6	8.3	8.0
Subtotal, Professional	60.0	60.5	57.6
Para-Professional:			
Upward Mobility	63.8	61.5	60.3
Clerical:			
Worker-Trainees	.4	.3	.3
Summer Aid and Stay-in-School	44.7	29.4	29.4
Subtotal, Clerical	45.1	29.7	29.7
Veteran Readjustment	16.3	16.3	16.3
Selective Placement	20.7	19.7	19.7
Total Staff-Years	205.9	187.7	183.6

(1) Professional. The goal of the Professional Programs is the recruitment and development of qualified candidates to provide staff resources for demanding professional assignments. Some examples of the programs follow.

(a) The HUD Intern Program is designed to recruit, train, and place high quality college graduates who are ultimately targeted for senior professional positions.

(b) The College Cooperative Program is a work/study program designed to encourage students to continue their education while working and preparing to assume a professional position with the Department. Students receive college credits for their work experience.

(c) The Summer College Program is designed to provide summer employment and enrich the experience of graduate and undergraduate college students with the expectation that some will be attracted to the Department as full-time professionals after graduation.

(d) The Federal Junior Fellowship Program provides summer and vacation employment to academically motivated high school graduates who were in the top ten percent of their class and who are interested in higher education and a Federal career.

This category also includes a program for the part-time employment of individuals in professional positions.

(2) Para-Professional. The Upward Mobility Program provides opportunity for employees in non-professional positions to enhance their skills through training and educational programs so that they may perform at their highest potential and advance in accordance with their abilities to new careers in positions of greater responsibility. Beginning in 1984 there was renewed emphasis on this program, including a target of one percent of the staff in offices larger than 35 people becoming involved in the program. The one percent target was met late in 1984 resulting in a bulge in 1985 staff-years for this program.

(3) Clerical. The goal of the Clerical Recruitment and Development programs is to provide a versatile reserve of skilled clerks, secretaries, office machinists, etc., to replace clerical employees who leave the Department or move into technical jobs. They consist of the following categories:

(a) The Worker-Trainee Opportunities Program is designed to develop office skills in persons considered otherwise unemployable.

(b) The summer employment of disadvantaged youth in the Summer Aide Program (some of whom obtain part-time positions in the Stay-in-School Program) provides job training in basic skills needed by HUD.

(4) Veteran Readjustment. Under this program, Vietnam veterans are given an opportunity to be productively employed while they are acquiring an education or training. Excepted appointments at the GS-3 level are given to veterans who have not had more than 14 years of education, on the basis of total experience, including military service, and are capable of performing the duties of the specific position. Following their appointment, they enter into a program of work, study and education tailored to their educational and personal development needs and to the needs of the Department.

(5) Selective Placement (Handicapped). The goal of the Selective Placement Program is to open jobs in the Federal Government to mentally dysfunctional and physically handicapped persons who are occupationally qualified.

b. Temporary Employees.

Employees who do not have full-time permanent status are utilized to deal with workload fluctuations during the course of the year and for other specific requirements for which full-time permanent staff are not required. The following table indicates year-end employment and staff-years for such staff:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
End-of-Year Employment	890	250	250	...
Staff-Years	609.9	326.8	326.8	...

The establishing of a level of full-time permanent staff consistent with the workload accounts for the decline of the requirements in 1986 and 1987 from the actual 1985 level.

c. Overtime

Overtime is a flexible supplement to the Department's staffing level. It is utilized for relatively short-term workload peaks and to meet short deadline requirements. In such instances it is preferable for qualified staff already on board to work extra hours rather than to hire additional staff. The following table identifies the level of overtime staff-years utilized in 1985, and estimates for 1986 and 1987, and the associated funding:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Staff-Years	122.9	77.4	77.4	...
Obligations	$3,508	$2,308	$2,308	...

d. Terminal Leave

Terminal leave is the unused earned annual leave due an employee leaving the Federal service. In most instances, the maximum leave accrued at retirement, resignation, or other termination is 30 days. The number of staff-years and the associated costs included in the request for terminal leave are based on historical data and estimates of the number of employees who will retire, resign, or otherwise terminate. This information is summarized in the following table:

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Staff-Years	71.8	67.8	87.8	+20.0
Obligations	$2,763	$2,700	$3,500	+$800

Terminal leave funding requirements are expected to decline in 1986 from the 1985 level, and then increase during 1987 consistent with the level of staff reductions each year.

3. PAYMENTS TO FORMER PERSONNEL

The following table indicates the items of cost for former HUD staff, the associated actual obligations during 1985, and the estimate obligations for 1986 and 1987.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Employees' Compensation Fund	$2,861	$3,118	$4,137	+$1,019
Federal Employment Compensation Account	544	300	500	+200
Severance Pay	660	500	1,500	+1,000
Total	4,065	3,918	6,137	+2,219

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The funds for both the Employees' Compensation Fund (ECF) and the Federal Employment Compensation Account (FECA) are required to reimburse the Department of Labor (DOL), which manages those funds, for payments made to former HUD employees. The payments to the ECF are for actual medical support payments made in prior years in behalf of individuals under continuing medical care for conditions incurred while in the employ of HUD. The DOL advises the Department of the amount of such costs incurred for inclusion in subsequent budget requests. In this context, all of the amounts indicated are for actual costs.

The payments to the FECA reimburse the DOL for payments made to the 53 states and dependencies in which former HUD personnel are eligible for unemployment compensation. The payments are made on a more current basis than the payments to the ECF, i.e., reimbursements for costs incurred during the previous quarter. Thus, the data for 1986 and 1987 are estimates.

All employees who are involuntarily separated are eligible for severance pay. The payments are based upon time in service and the salary level attained and, depending upon the individual entitlement, can be phased over a full year. The estimate for 1986 primarily reflects the completion of payments for entitlements established during 1985. The estimate for 1987 reflects potential entitlements resulting from involuntary separations which may be required to achieve the proposed staff reductions.

4. FULL-TIME PERMANENT APPOINTMENTS

The following table summarizes the end-of-year full-time staff with permanent appointments.

FULL-TIME PERMANENT APPOINTMENTS
END OF FISCAL YEAR

ACTIVITY	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Housing Program:					
Washington................................	504	504	502	502	...
Field................................	4,171	4,165	4,400	4,222	-178
Total................................	4,675	4,669	4,902	4,724	-178
Public and Indian Housing:					
Washington................................	128	131	128	128	...
Field................................	926	899	900	900	...
Total................................	1,054	1,030	1,028	1,028	...
Government National Mortgage Association:					
Washinton................................	52	53	54	52	-2
Solar Energy and Energy Conservation:					
Washington................................	6	...	3	...	-3
Community Planning and Development:					
Washington................................	262	183	230	205	-25
Field................................	901	700	675	594	-81
Total................................	1,163	883	905	799	-106
Policy Development and Research:					
Washington................................	142	150	130	125	-5
Fair Housing and Equal Opportunuty:					
Washington................................	118	132	120	121	+1
Field................................	422	442	432	432	...
Total................................	540	574	552	553	+1
Departmental Management:					
Washington................................	132	136	136	130	-6

Salaries and Expenses, Housing and Urban Development

FULL-TIME PERMANENT APPOINTMENTS
END OF FISCAL YEAR

ACTIVITY	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Office of General Counsel:					
Washington	219	212	212	212	...
Field Legal Services:					
Field	246	251	247	245	-2
Office of Inspector General:					
Washington	107	97	97	97	...
Field	378	363	363	363	...
Total	485	460	460	460	...
Administration:					
Washington:					
Administration and Staff Services (S&E)	1,051	961	1,022	1,022	...
Working Capital Fund	250	249	250	250	...
Total	1,301	1,210	1,272	1,272	...
Field Direction and Operational Support:					
Field	563	514	540	500	-40
Field Administration:					
Field	797	725	742	695	-47
Total Full-Time Permanent Appointments	11,375	10,867	11,183	10,795	-388
Other Employment	820	225	200	200	...
Total Employment	12,195	11,092	11,383	10,995	-388
Recapitulation:					
Washinton	2,971	2,808	2,884	2,844	-40
Field:					
Regions	8,003	7,673	7,913	7,565	-348
Other	401	386	386	386	...
Subtotal, Field	8,404	8,059	8,299	7,951	-348
Total Full-Time Permanent Appointments	11,375	10,867	11,183	10,795	-388
Less Working Capital Fund	-250	-249	-250	-250	...
S&E, HUD Full-Time Permanent Appointments, End of Year	11,125	10,618	10,933	10,545	-388

FULL-TIME EQUIVALENT (FTE) WORK-YEARS

Full-time equivalent (FTE) work-year allocations are the principal method for controlling staff levels within the executive branch of the Federal Government. Ceilings for such work-years are issued upon the basis of the number of work-years needed to achieve Departmental missions and objectives. These include work-years for full-time permanent employment for temporary employment, and for part-time work which is counted in equivalents of full-time work. The ceilings:

-- represent the maximum cumulative number of regularly scheduled hours (excluding overtime work and nonceiling employees) to be worked during the year; and

-- are more truly indicative of the staff effort applied to HUD programs than end-of-year positions.

The following table provides a comparison by staff-year category of the total 1986 staff-years and full-time equivalent work-years. It is followed by a table which indicates by budget activity the full-time equivalent work-years included in this request.

	1987	
	Staff-Years	Full-Time Equivalents
Full-Time Permanent	10,977.8	10,977.8
Part-Time and Temporary Full-Time	312.2	312.2
Nonceiling	30.0	...
Overtime	80.0	...
Terminal Leave	90.0	...
Total	11,490.0	11,290.0

The staff-year totals include time for nonceiling employees, terminal leave, and overtime. While terminal leave and overtime do not add to the actual number of employees, the days and hours must be compensated. Hence, the staff-years actually identify the number of employment hours which must be compensated and for which appropriations must be provided.

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FULL-TIME EQUIVALENT WORK-YEARS

ACTIVITY	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Housing Programs:			
Washington	523.1	487.5	510.1
Field	4,459.9	4,604.9	4,338.8
Total	4,983.0	5,092.4	4,848.9
Public and Indian Housing:			
Washington	128.8	140.9	140.9
Field	959.7	949.7	946.7
Total	1,088.5	1,090.6	1,087.6
Government National Mortgage Association:			
Washington	54.5	51.1	53.7
Solar Energy and Energy Conservation Bank:			
Washington	6.1	3.8	2.0
Community Planning and Development:			
Washington	288.0	264.3	235.3
Field	936.8	826.0	629.0
Total	1,224.8	1,090.3	864.3
Policy Development and Research:			
Washington	155.5	139.4	128.4
Fair Housing and Equal Opportunity:			
Washington	126.0	127.5	126.0
Field	434.8	435.2	456.9
Total	560.8	562.7	582.9
Departmental Management:			
Washington	145.8	140.3	141.4
Office of General Counsel:			
Washington	228.6	214.4	223.4
Field Legal Services:			
Field	267.7	256.2	266.4
Office of Inspector General:			
Washington	105.8	97.0	100.0
Field	381.7	377.2	384.7
Total	487.5	474.2	484.7
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,143.3	1,047.2	1,080.6
Working Capital Fund	270.1	242.4	255.8
Total	1,413.4	1,298.6	1,336.4
Field Direction and Operational Support:			
Field	603.1	544.8	519.9
Field Administration:			
Field	875.8	765.2	750.0
Total Full-Time Equivalent Work-Years	12,095.1	11,715.0	11,290.0

Recapitulation:			
Washington	3,175.6	2,955.8	2,997.6
Field:			
Regions	8,514.8	8,359.0	7,884.7
Other	404.7	400.2	407.7
Subtotal, Field	8,919.5	8,759.2	8,292.4
Total Full-Time Equivalent Work-Years	12,095.1	11,715.0	11,290.0
Less Working Capital Fund	-270.1	-242.4	-255.8
S&E, HUD Full-Time Equivalent Work-Years	11,825.0	11,472.6	11,034.2

6. DISTRIBUTION OF STAFF BY GRADE LEVEL

The following table indicates the distribution of the total full-time permanent staff, including those within the Working Capital Fund, by grade level and the average grade for GS/GM employees.

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + 1987 vs 1986
Executive Level I	1	1	1	...
Executive Level III	1	1	1	...
Executive Level IV	11	11	11	...
Subtotal	13	13	13	...
ES - 6	1	1	1	...
ES - 5	12	20	20	...
ES - 4	60	59	58	-1
ES - 3	29	30	30	...
ES - 2	19	12	13	+1
ES - 1	7	6	6	...
Subtotal	128	128	128	...
GS - 18	1	1	1	...
GS - 17	2	2	2	...
GS - 16	2	2	2	...
GS/GM-15	524	524	523	-1
GS/GM-14	807	780	756	-24
GS/GM-13	1,477	1,430	1,380	-50
GS - 12	2,466	2,387	2,284	-103
GS - 11	1,653	1,674	1,617	-57
GS - 10	65	66	65	-1
GS - 9	525	523	506	-17
GS - 8	190	183	179	-4
GS - 7	868	844	816	-28
GS - 6	740	714	685	-29
GS - 5	1,090	1,090	1,049	-41
GS - 4	652	656	628	-28
GS - 3	134	134	129	-5
GS - 2	4	4	4	...
Subtotal	11,200	11,014	10,626	-388
Ungraded	34	28	28	...
Total	11,375	11,183	10,795	-388
Average GS/GM Grade	10.0	10.0	10.0	...

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7. CONSULTING AND RELATED SERVICES

Consulting services are defined in OMB Circular A-120 as "those services of a purely advisory nature relating to the Governmental functions of agency administration and management and agency program management." This includes contracts for consulting services, the personnel appointment of consultants, and advisory committee expenses.

Related services, which include management and professional services and special studies and analyses, are a series of activities contained in the Federal Procurement Data System (FPDS), the system OMB uses to classify procurement activity. These activities are very similar to consulting services. However, they do not quite meet the precise definition of consulting services contained in Circular A-120. Management and professional services include activities such as: policy review and development, program evaluation, management support, and systems engineering. Special studies and analyses include activities such as cost benefit analyses, environmental studies, and economic studies and analyses.

The following tables list the actual amounts for consulting services, management and professional services, and special studies and analyses in 1985, and estimates for 1986 and 1987 by appropriation and program area. The FY 1986 funding data reflects reductions from the budget levels of $565 thousand for the Research and Technology appropriation and $302 thousand from the "Salaries and Expenses" account consistent with Section 515 of the Treasury, Postal Service and General Government Appropriation Act, 1986.

CONSULTING SERVICES

APPROPRIATION/ACTIVITY	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Program Contracts:			
Research and Technology	710	1,687	2,063
Subtotal, Program Contracts	710	1,687	2,063
Salaries and Expenses:			
Contracts	191	150	300
Personnel Appointments	856	856	1,031
Advisory Committee Expenses	16	58	58
Subtotal, Salaries and Expenses	1,063	1,064	1,389
Total, Consulting Services	1,773	2,751	3,452

MANAGEMENT AND PROFESSIONAL SERVICES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Urban Homesteading	100	...	...
Research and Technology	1,820	2,880	3,520
Salaries and Expenses	261	1,731	1,970
Total, Management and Professional Services	2,181	4,611	5,490

SPECIAL STUDIES AND ANALYSES

	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)		
Research and Technology	59	522	638
Salaries and Expenses	114	233	233
Total, Special Studies and Analyses	173	755	871

Salaries and Expenses, Housing and Urban Development

A discussion of the use of Salaries and Expenses funds for consulting and related services is presented below. A separate discussion of the use of the Research and Technology appropriation for consulting and related services is contained in the section of the Justifications dealing with that activity.

Salaries and Expenses funds are used for consulting, management and professional services, and special studies and analyses in order to perform a number of specialized and/or short-term activities which often require unique experience not readily available within the Department. These activities include providing advice and assistance in a number of program areas such as Housing, Community Planning and Development, and Fair Housing. In addition, funds are used for the mandated advisory committee functions of the Mobile Homes Advisory Council ($42 thousand), Energy Conservation ($8 thousand), and Solar Energy Conservation ($8 thousand).

An alternative to the use of consulting and related services would be to increase in-house staff. This is not practicable since many of these tasks, by their very nature, require an outside perspective and specialized expertise. Also, since many of the tasks are intermittent and of short duration, it is not practical to hire full-time personnel for these purposes.

TRAVEL AND TRANSPORTATION OF PERSONS

This category represents the transportation of Government employees or other persons who travel under the auspices of the Federal Government, their per diem allowances when in an authorized travel status, and other expenses incident to travel which are to be paid by the Government directly or by reimbursing the traveler. It consists of both travel away from the official duty station and in and around the official station of an employee. The following material provides data on actual 1985 costs and estimates for 1986 and 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Travel....................................	$12,515	$12,838	$12,778	$13,300	+$522

The Congress, in considering the Department's 1986 Budget request, added staff to support the higher than requested program levels which they approved. They also increased travel to $13,178 thousand to support the increased activity. However, in order to remain within the funding levels mandated by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) travel funds were reduced $400 thousand to the current estimate of $12,778 thousand. The increase of $522 thousand in 1987 restores a more normal funding level and reflects anticipated cost inflation.

The Department's travel requirements are principally based on the actual cost per staff-year experienced for each activity in both Headquarters and Field offices. Individual cost factors are applied to the staff-years proposed for each of the activities and, thus, relate the funding levels requested, insofar as it is possible, to the anticipated workload. Funding for travel related to staff training is developed separately on the basis of the Department's training plans.

The following table indicates the actual obligations incurred during 1985 by the various activities of the Department and the estimated obligations for 19186 and 1987.

ACTIVITY	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)		
Housing Programs....................................	$3,833	$4,353	$4,124	-$229
Public and Indian Housing............................	821	939	991	+52
Government National Mortgage Association.............	48	50	56	+6
Solar Energy and Energy Conservation Bank............	17	19	10	-9
Community Planning and Development...................	1,180	1,113	979	-134
Policy Development and Research......................	123	79	82	+3
Fair Housing and Equal Opportunity...................	848	913	999	+86
Departmental Management..............................	318	385	410	+25
General Counsel......................................	216	219	232	+13
Field Legal Services.................................	150	157	164	+7
Inspector General....................................	1,811	1,683	1,778	+95
Administration and Staff Services....................	256	239	405	+166
Training Travel......................................	1,217	1,000	1,500	+500
Field Direction and Operational Support..............	1,181	1,147	1,108	-39
Field Administration.................................	496	482	462	-20
Total..	12,515	12,778	13,300	+522

TRANSPORTATION OF THINGS

This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental of trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers. The following materials provide data on the actual obligations during 1985 and estimates for 1986 and 1987.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Transportation of Household Goods...........	$426	$500	$500	$500	...
All Other Transportation of Things..........	181	200	200	200	...
Total..................................	607	700	700	700	...

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Transportation of Household Goods...........	$426	$500	$500	$500	...

This represents the estimated cost of the transportation of household goods and personal effects for employees transferred from one official duty station to another. The authority to move household goods is extended to such staff for a period of one year after their transfer. Thus, the costs for individual transfers can extend over time. No change to the funding level is anticipated.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1966
All Other Transportation of Things..........	$181	$200	$200	$200	...

These funds are for the transportation of all items not related to household moves, such as the movement of furniture and equipment, the shipment of forms and publications and freight charges associated with procurement and contracting activities. The proposed funding level provides continued support for the ongoing program of moves and relocations associated with the space reduction program, as well as other requirements. Essentially level funding is assumed.

RENT, COMMUNICATIONS AND UTILITIES

The funds under this object classification provide for all rental costs--both space and equipment--communications services, and utilities. The following materials identify the specific items, and their actual 1985 and estimated 1986 and 1987 obligation levels.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Real Property Rental........................	$33,566	$33,000	$32,300	$36,900	+$4,600
Real Property Rental of Training or Conference Facilities.....................	98	50	100	100	...
Telephone--Local............................	5,501	5,560	6,100	6,000	-100
Telephone--Long Distance....................	103	160	135	140	+5
Telephone--Federal Telecommunications System..................................	6,034	6,500	5,350	5,300	-50
Postal Services.............................	5,333	5,500	5,350	5,500	+150
Other Communications Services...............	438	780	700	730	+30
Copying Machine Rental......................	901	1,135	875	1,000	+125
Other Equipment Rental......................	2,244	1,865	2,173	2,350	+177
Electricity.................................	1,841	1,800	1,872	2,026	+154
Steam.......................................	365	492	450	491	+41
Natural Gas.................................	2	3	3	3	...
Total.....................................	56,426	56,845	55,408	60,540	+5,152

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Real Property Rental........................	$33,566	$33,000	$32,300	$36,900	+$4,600

The rental rates are established by the General Services Administration and they provide the cost estimates for the space requirements identified by the Department. The reduction of $700 thousand in 1986, i.e., the current estimate as composed to the budget estimate, reflects a reduction to the space requirement previously identified. The increase of $4,600 thousand in 1987 is solely for rental rate increases. No additional space is reflected in the request. The increase is exclusively for a rate increase for the HUD Headquarters Building.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Real Property Rental of Training or Conference Facilities....................	$98	$50	$100	$100	...

These funds provide for space rental for short-term training or conference facilities where adequate government space is not available. No changes to the funding level experienced during 1985 are anticipated.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Telephone--Local..........................	$5,501	$5,560	$6,100	$6,000	-$100

This represents the estimated cost of local recurring (rental and additional message units) and non-recurring (installation, relocation, repairs, and materials) telephone charges as billed by the servicing telephone company. These costs are variable due to usage, office moves, relocations, etc.

The increase of $540 thousand in 1986, i.e., the current estimate as compared to the budget estimate, reflects unanticipated rate increase and the completion of relocations which were planned during 1985, but delayed for various reasons. A slight reduction is anticipated for 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Telephone--Local..........................	$103	$160	$135	$140	+$5

This represents long-distance telephone services other than those provided through the Federal Telecommunications System. The reduction from the 1986 budget estimate to the current estimate reflects actual 1985 experience and the Department's continued efforts to avoid unnecessary usage and to control these costs. The 1987 increase primarily reflects expected changes in rate structures.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Telephone--Federal Telecommunications System.	$6,034	$6,500	$5,350	$5,300	$50

This represents HUD's share of the cost of the Federal Telecommunications System (FTS). The FTS cost to the Department is based on quarterly samplings made by the General Services

Administration (GSA), with annual notification of the amount to be billed. The funding levels are based on estimates provided by GSA. The decrease of $1,150 thousand from the 1986 budget estimate to the current estimate is based upon a recent sample which reflects the Department's success in reducing both the number and length of calls. The 1987 estimate anticipates the Department's continued success in reducing costs.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Postal Services..............................	$5,333	$5,500	$5,350	$5,500	+$150

This represents the cost of payments made to the U.S. Postal Service for departmentwide mail services, which are based upon semi-annual samplings.

Through 1985 the costs included electronic mail services, but such services have been discontinued. The relatively level funding for 1986 and 1987 reflect the discontinuation of that service offset by rate increases.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Other Communications Services................	$438	$780	$700	$730	+$30

This represents the estimated cost of all communications services not shown elsewhere, and includes such items as teletype, radio and cable equipment, messenger services, and commercial telegraph services.

Beginning in 1986 it also includes the cost of electronic mail services. Such services were previously provided by the U.S. Postal Service, but they have discontinued them. Thus, the funding levels indicated for 1986 and 1987 include electronic mail service and reflect general cost increases.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Copying Machine Rental.......................	$901	$1,135	$875	$1,000	+$125

This represents the estimated cost of office copying equipment (including rental, copy charges, etc.) located both in Headquarters and the Field. The reduction of $260 thousand from the budget estimate to the current estimate in 1986 reflects the exploitation of procurement opportunities in lieu of rental and the impact of funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The increase of $125 thousand in 1987 reflects a more normal, although constrained, funding level.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Other Equipment Rental.......................	$2,244	$1,865	$2,173	$2,350	+$177

The funds requested are for the rental of specialized miscellaneous office equipment for limited, short-term use or--where determined to be more economical than outright purchase--a long-term lease arrangement. It includes such items as word processing equipment, magnetic-type and punch paper-type typewriter equipment, data transmission equipment, composer units, microfilm/microfiche readers and printers, and other types of specialized office equipment utilized in Headquarters and field offices. The proposed in funding levels for 1986 and 1987 reflect a slight downtrend in usage offset for anticipated rate increases.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Utilities	$2,208	$2,295	$2,325	$2,520	+$195
Electricity	(1,841)	(1,800)	(1,872)	(2,026)	(+154)
Steam	(365)	(492)	(450)	(491)	(+41)
Natural Gas	(2)	(3)	(3)	(3)	(...)

The Department is responsible for the operation and maintenance of the HUD Headquarters Building This includes for utilities--electricity, steam and natural gas--as indicated below. The funding level for electricity anticipates some usage increases due to expanded use of automated data processing equipment, including personal computers, and word processors. The steam equipment is principally for the Departmental cafeteria. The funding levels reflect anticipated rate increases.

PRINTING

The funds included under this object class represent the cost of contractual printing and reproduction and related composition and binding operations, performed by the Government Printing Office, other agencies, or other units of the same agency (on a reimbursable basis).

The following table identifies the various subobjects and is followed by a brief discussion of each of them.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Quick Copy Services	$945	$1,000	$750	$500	-$250
Federal Register and Code of Federal Regulations	566	600	550	600	+50
Forms	1,812	1,600	1,550	2,000	+450
Handbooks	488	860	500	575	+75
Periodicals	93	70	75	90	+15
Publications	750	820	725	810	+85
Micrographic Services	827	950	850	1,425	+575
Other Printing	1,173	400	1,000	1,200	+200
Total	6,654	6,300	6,000	7,200	+1,200

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Quick Copy Reproduction	$945	$1,000	$750	$1,050	+$300

These funds are for quick copy services provided through two self-service copy machine rooms located at Headquarters. The reduced funding levels for 1986 and 1987 reflect the phase-out of one of the self-service copy machine rooms which is reflective of the availability of individual office copy machines and efforts to reduce operating costs.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Federal Register and Code of Federal Regulations..................................	$566	$600	$550	$600	+$50

These funds are for having HUD-related notices and other material printed in the Federal Register and the Code of Federal Regulations and the cost of copies in excess of the standard allowance for these publications. Generally level funding is anticipated.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Forms..	$1,812	$1,600	$1,550	$2,000	+$450

This represents the cost of printing or reprinting all HUD and other standardized forms, multi-part or otherwise, for the use of both the general public and internal purposes. The current estimate of $1,550 thousand for 1986 reflects reductions and deferrals required to remain within the funding level imposed by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The increase in 1987 reflects those deferrals, as well as a more normal funding level.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Handbooks......................................	$488	$860	$500	$575	+$75

These funds are for printing or reprinting all HUD and other standard handbooks, as required. The upward trend in funding anticipates changes required due to proposed program revisions, particularly for the FHA Single-Family Mortgage Insurance program.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Periodicals....................................	$93	$70	$75	$90	+$15

This represents the cost of printing materials on an established and periodic schedule, such as newsletters, bulletins, journals and magazines. It excludes periodic reports, which are included under the Publications category. The lower than normal funding level in 1986 reflects deferrals and reductions due to funding constraints associated with the Balance Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Publications...................................	$750	$820	$725	$810	+$85

These funds are for publications produced either totally or partially for purposes of informing the general public, constituent groups, the Congress, state and local officials, grantees, or public organizations about the Department's programs and activities. These include various publications such as press releases, booklets, brochures, and fact sheets, as well as reports mandated by the President or the Congress. The additional funds proposed for 1987 anticipate increased activity in this area due to the various program changes being proposed.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Micrographic Services..........................	$827	$950	$850	$1,425	+$575

The Department began during 1985, consistent with a recommendation made by the Grace Commission, to increase its efforts to convert files to microfilm or microfiche in order to reduce the space required for files--thereby reducing space costs--and to increase staff productivity by providing easier access to the Department's records for processing claims and similar activities. The reduction of $100 thousand in 1986, the current estimate compared to the budget estimate, reflects a deferral of the planned phased increase in such activities in order to comply with the funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The increase in 1987 reflects a return to increased efforts in this area.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Other Printing..................................	$1,173	$400	$1,000	$1,200	+$200

This represents printing costs not otherwise identified, such as staff bulletins, budget justification material, copies of administrative and court proceedings, awards, etc. The estimates assume generally level funding with a slight reduction during 1986 due to previously discussed funding constraints.

OTHER SERVICES

This classification inludes the cost of all services not identified in the other object classes.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Health Services..............................	$687	$800	$805	$825	+$20
Security Investigations......................	247	300	275	285	+10
Training Enrollments.........................	1,132	700	480	800	+320
Training Support--Federal Personnel..........	1,145	1,275	1,035	1,400	+365
Training Support--Non-Federal Personnel......	364	225	260	348	+88
Storage of Household Goods...................	105	30	70	70	...
Audit Services...............................	162	450	400	400	...
Library Services.............................	570	511	623	624	+1
Stenographic Services........................	77	105	40	50	+10
Mailing Services.............................	54	105	50	55	+5
Management Studies...........................	804	1,450	1,326	1,380	+54
Data and Statistical Services................	486	851	769	907	+138
Public Information Services..................	302	230	115	250	+135
Credit Information...........................	258	320	300	320	+20
Section 504 Technical Assistance.............	99	100	100	100	...
Technical Services...........................	1,342	2,528	2,931	3,145	+2,214
Housing Assistance Council Support...........	1,000	...	957	...	-957
Visual Arts Services.........................	677	650	650	650	...
Repairs and Alterations to Space.............	1,195	1,500	600	600	...
HUD Headquarters Building Operations and Maintenance..............................	3,767	3,395	4,356	4,572	+216
ADP Equipment Maintenance and Repair.........	131	500	450	550	+100
Other Equipment Maintenance and Repair.......	1,579	1,600	2,050	2,400	+350
Building Services............................	361	500	350	400	+50
Data Processing Services.....................	38,131	41,000	42,000	50,500	+8,500
General Support Services.....................	945	2,660	1,637	2,261	+624
Total....................................	55,620	61,783	62,629	74,892	+12,263

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Health Services................................	$687	$800	$805	$825	+$20

These funds are for health services for Headquarters and Field office employees. The services are provided by the U.S. Public Health Service (PHS) and, where PHS facilities are not available, by private medical facilities. The estimated funding levels anticipate rate increases for the medical services provided.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Security Investigations.........................	$247	$300	$275	$285	+$10

These funds are required for the conduct of security investigations of potential employees in selected critical positions. The investigations are conducted by the Office of Personnel Management on a reimbursable basis. The current 1986 and 1987 estimates are based upon the most recent information about investigations to be conducted and costs per investigation.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Training Enrollments...........................	$1,132	$700	$480	$800	+$320

These funds are for fees and tuitions associated with HUD's staff training and development program. Costs include tuitions and fees for special courses and after-hours studies which are designed to improve employee job performance and to enhance potential for career advancement. Costs are reduced $220 thousand in 1986, as compared to the budget request, in response to the funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings) and increased $320 thousand in 1987 to a more normal level.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Training Support--Federal Personnel............	$1,145	$1,275	$1,035	$1,400	+$365

These funds are to conduct in-house training of HUD staff. A significant portion of the funds are used to support training facilities, principally to house trainees in those instances where a live-in situation is deemed the most effective means of providing the subject training. Such facilities are located at Headquarters and at "floating" centers through the field, as required. Funds are also provided for the development of curricula and course materials, as well as for the actual delivery of training by contractor personel when required. The funding levels proposed support both efforts to improve the quality and productivity of staff, as well as to train them in program additions, changes, and revisions which result from legislative, regulatory, and procedural changes. The following table provides details on the general purposes for which the funds are used.

TRAINING SUPPORT

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Training Facilities (Headquarters and Field)...	$467	$700	$568	$771	+$203
Training Development............................	450	340	263	343	+80
Management Training Program.....................	66	70	70	98	+28
Field Contracts.................................	150	150	122	171	+49
Miscellaneous Support...........................	12	15	12	17	+5
Total Training Support........................	1,145	1,275	1,035	1,400	+365

The reduction of $240 thousand from the budget estimate to the current estimate for 1986 reflects the funding constraints imposed under the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings). The increase of $365 thousand in 1987 reflects a more normal funding level.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Training Support--Non-Federal Personnel........	$364	$225	$260	$348	+$88

These funds are for the training of non-Federal personnel. The proposed funding levels are for the Housing activity to support training for the staff of Public Housing Authorities on matters relating to the execution of the Section 8 program in both 1986 and 1987, for the Public and Indian Housing activity in 1986 to develop training material for Indian Housing Authorities and for outreach training of minority business and community groups to familiarize them with HUD and other government programs under the auspices of the Fair Housing and Equal Opportunity and Departmental Management activities. The additional funds requested for 1987 reflect an increase to the latter category.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Storage of Household Goods.....................	$105	$30	$70	$70	...

These funds are required for the storage of household goods and personal effects for employees being transferred from one official duty station to another. The estimated obligations are consistent with the estimated requirements reflected under the requirement for the Transportation of Household Goods.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousandas)			
Audit Services.................................	$162	$450	$400	$400	...

This item includes funds for mandatory audits of the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA) which are conducted by the General accounting Office (GAO) and billed to HUD. The total also includes funds for audit services performed on a reimbursable basis by other Federal agencies--such as the Department of Health and Human Services and the Department of Defense--for HUD in instances where it is more economical and efficient for them to do so. Funds also provide for contractor assistance in the conduct of audits in technical areas, such as architecture, engineering and data processing, as required.

The following table identifies the funding for the various audit services included in the summary data above.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
FHA	...	$115	...	$100	+$100
GNMA	...	60	$100	...	-100
OIG	$162	275	300	300	...
Total Audit Services	162	450	400	400	...

The funding estimates for GAO billing associated with FHA and GNMA audits are based on the best information currently available from the GAO. The proposed funding levels for the support of OIG activities anticipates an increase in technical assistance.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Library Services	$570	$511	$623	$624	+$1

These funds represent the contractual cost for the operation of the Departmental library at Headquarters, and ancillary support received from or through the Library of Congress. The proposed funding levels are consistent with anticipated operating levels and costs.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Stenographic Services	$77	$105	$40	$50	+$10

This represents the cost of transcribing court proceedings and stenographic hearings. The 1986 and 1987 estimates are based on actual 1985 experience adjusted for an unusual one-time requirement in 1985.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Mailing Services	$54	$105	$50	$55	+$5

This subobject represents funds required for assistance in the processing and preparation of materials to be mailed. The 1986 and 1987 estimates are based on actual 1985 experience. A slight increase in the cost of obtaining such assistance is anticipated.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Management Studies	$804	$1,450	$1,326	$1,380	+$54

This represents the cost of management analyses services, including studies related to staff skills requirements. The funding for these services are almost exclusively in the Administration and Staff Services activity. The funds are principally used for obtaining assistance in the conduct of vulnerability assessments and similar reviews to ensure compliance with the Federal Managers' Financial Integrity Act (FMFIA), A-76 reviews, and to provide a capability to conduct short-term management analysis assistance. The requirements for these services are discussed in greater detail under the contracts section of the justification for that activity in a preceeding section of this volume.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Data and Statistical Services..................	$486	$851	$769	$907	+$138

This subobject represents the cost of gathering data and related categorizing of such data in support of Departmental studies, evaluations, and reports, and includes items such as housing vacancy surveys, census materials, and constructin and manfacturing data. It excludes routine census publications, which are included under the object class Supplies and Materials.

The increase of $138 thousand in 1987 is principally associated with obtaining statistical data in support of the administration of grant programs. The specific requirements for Data and Statistical Services are addressed in the individual sections on administrative expenses for the various activities requiring such services.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Public Information Services....................	$302	$230	$115	$250	+$135

This subobject represents the cost of preparing and promulgating information about the Department's activities, and includes the preparation of exhibit materials, brochures, pamphlets, billboards, etc., as well as the conduct of meetings designed to obtain such ends. It excludes all printing costs which are included under the object class Printing and Reproduction. The funds are almost exclusively used by the Office of Public Affairs, a component of the Departmental Management activity.

The decrease indicated by the current estimate for 1986, as compared to the actual 1985 costs and 1986 budget estimate, is due to the funding constraints imposed by the Balanced Budget and Emergency Deficit Reduction Act (Gramm-Rudman-Hollings). The funding level proposed reflects a more normal level of activity and will be utilized for familiarizing HUD clientel and the general public of the proposed program changes. More detail is provided in the Contracts section of the Departmental Management Activity Justification which is at the beginning of the volume.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Credit Information.............................	$258	$320	$300	$320	+$20

This subobject represents funds used to obtain credit information required to conduct the Department's programs. A slight increase in rates and activity are anticipated.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Section 504 Technical Assistance...............	$99	$100	$100	$100	...

This represents the cost of services to support implementation of provisions of Section 504 of the Rehabilitation Act of 1973. This Act provides that handicapped persons are to have equal access to all federally assisted programs and activities. Level funding is proposed.

(Dollars in thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Technical Services.............................	$1,342	$2,528	$2,931	$5,145	+$2,214

Salaries and Expenses, Housing and Urban Development

These funds are for specialized technical services, not otherwise identified. They include services such as actuarial services, translation services, enforcement testing, manual preparation, and debt collection.

The increase of $403 thousand indicated in the current 1986 estimate, as compared with the budget estimate, is for the Administration and Staff Services activity and reflects primarily additional funds for ad hoc short-term assistance for the newly formed Productivity and Management Improvement Staff and for assistance in the installation of Local Area Network System (LANS) for the Department personal computers. This increase in 1987 consists principally of funds, also for the Administration and Staff Services activity, to obtain payroll services from another agency. A discussion of specific requirements is included under the administrative expenses section of the various activities which require such services.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Housing Assistance Council Support.............	$1,000	...	$957	...	-$957

The Housing Assistance Council is a national nonprofit organization which provides assistance to housing and community development efforts in rural areas. Its activities include the operation of revolving funds which provide seed loans for predevelopment purposes, technical assistance, the conduct of training, the issuance of publications and research; and in support of rural housing and development. The 1985 and current 1986 levels are in accordance with Congressional mandates. No funds are proposed for 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Visual Arts Services............................	$677	$650	$650	$650	...

These funds are for reimbursing the Working Capital Fund (WCF) for visual arts services such as photography, graphics, and visual presentations. It also provides for minimal outside contractor assistance, as required. Level funding is proposed.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Repairs and Alterations to Space...............	$1,195	$1,500	$600	$600	...

These funds are for space alterations, realignments, telephone and electrical outlet changes, etc., in all offices other than the HUD Headquarters Building. Alterations for that building are included under the following subobject. These services are performed by or through the General Services Administration in Government-owned or Government-leased space occupied by the Department.

Salaries and Expenses, Housing and Urban Development

The decrease of $900 thousand from the budget estimate to the current estimate for 1986 reflects more recent funding and requirements information. Level funding is proposed for 1987 and provides for the space alterations required to implement the Department's continuing plan to reduce space.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
HUD Headquarters Building Operation And Maintenance....................................	$3,767	$3,395	$4,356	$4,572	+$216

This represents the costs of operating and maintaining the HUD Headquarters Building. It includes cleaning, security, painting, repairs and alterations, as well as routine maintenance and operation functions related to electrical, heating, air conditioning, plumbing and elevator systems. The Department was delegated the responsibility for this function on October 1, 1984 from the General Services Administration (GSA). The generally upward trend in funding reflects both anticipated increasing costs, principally for cleaning services, and the undertaking of previously deferred maintenance and repairs. The completion of previously deferred items is expected to occur during 1987.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
ADP Equipment Maintenance and Repair...........	$131	$500	$450	$550	+$100

These funds are for the maintenance and repair of the Department's personal computer and ancillary equipment, such as printers and optical scanners. The upward trend in funding reflects support of the three-year procurement program, initiated by the Department in 1985, to obtain 1,000 personal computers.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Other Equipment Maintenance and Repair.........	$1,579	$1,600	$2,050	$2,400	+$350

This represents the costs of repairing and refurbishing furniture and maintaining and repairing office equipment, such as quick copy machines and word processing equipment. It excludes such costs for ADP equipment which are included in a similar but separate category discussed immediately above.

The Department has embarked upon a program to purchase equipment, such as quick copy machines and word processing equipment, in lieu of renting, in those instances where it is cost effective to do so. There is currently specific emphasis on the procurement of word processors. When purchased, the maintenance and repair become the responsibility of HUD rather than the lessor; thus as the procurement program expands, the costs in this area increase. The proposed funding levels reflect that pattern.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Building Services..............................	$361	$500	$350	$400	+$50

These funds are for building services which are not included in the base rental rates paid to the General Services Administration (GSA). Such services include extra guard and janitorial services and heating and air conditioning during other than normal business hours for all offices other than the HUD Headquarters Building, which is funded separately as discussed above.

The reduction in the current estimate for 1986 reflects 1985 actual experience. The increase in 1987 anticipates additional services and increased rates.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE 1987 vs 1986
Data Processing Services........................	$38,131	$41,000	$42,000	$50,500	+$8,500

These funds are required for automated data processing services which are provided on a reimbursable basis through the Department's Working Capital Fund (WCF). The 1986 increase reflects Congressional action. The increase in 1987 reflects the expanded use of such capabilities, particularly by their expansion to the various field offices through the growing HUD Telecommunications Network (HTN II) and other on-line terminal capabilities. The Department's automated data processing program is discussed in detail in the WCF section of this volume of the Justifications.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
General Support Services........................	$945	$2,660	$1,637	$2,261	+$624

This subobject includes funds for all services under the object class which are not otherwise identified. It was established in FY 1985 and the 1985 actual obligations are the first year of experience with this subobject. Thus, the reduction of $1,023 in 1986--the current estimate of $1,637 thousand versus the budget estimate of $2,660 thousand--reflects an over-estimate. The increase of $692 thousand as compared to 1985, is largely due to the deferral of a contract for assistance in managing the Temporary Mortgage Assistance Payment (TMAP) program from 1985 to 1986. The increase of $624 thousand in 1987 consists of funding of $745 thousand for two contracts for outside firms to distribute the Department's printed materials and operate the warehouse in the HUD Headquarters Building--consistent with A-76 requirements--partially offset by a decrease of $121 thousand for other items.

SUPPLIES AND MATERIALS

This object class identifies charges for commodities, whether acquired by formal contract or other form of purchase, that are ordinarily consumed or expended within one year after they are put into use, that are converted in the process of construction or manufacture, or that are used to form a minor part of equipment or fixed property.

The following table summarizes the actual 1984 and the estimates for 1986 and 1987 for the individual items in this category and is followed by a brief description and discussion of the proposed funding levels for each item.

(Dollars in Thousands)

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Training Supplies..............................	$159	$160	$160	$170	+$10
ADP Supplies...................................	724	1,400	1,075	1,370	+295
Subscriptions..................................	812	790	675	700	+25
HUD Headquarters Building Supplies.............	15	15	30	30	...
Office Supplies................................	1,195	950	1,150	1,260	+110
Other Supplies and Materials...................	929	935	1,010	1,110	+100
Total......................................	3,834	4,250	4,100	4,640	+540

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Training Supplies..............................	$159	$160	$160	$170	+$10

These funds are for training supplies and materials for Headquarters, Field offices, and training centers. This estimate includes training materials used for in-house training courses, as well as books and supplies needed by individuals participating in authorized training courses at colleges and universities. Relatively level funding is proposed.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
ADP Supplies..................................	$724	$1,400	$1,075	$1,370	+$295

This subobject represents the cost of supplies and materials to support the Department's microcomputer capabilities which are funded directly under the Salaries and Expenses, HUD account. This is in contrast to the major ADP services provided from the Department's mainframe computer and other facilities which are provided through the Working Capital Fund (WCF). The microcomputer capability to be supported reflects a three-year program--initiated during 1985--to phase in approximately 1,000 microcomputers throughout the Department to increase staff efficiency and productivity through the exploitation of this expansion of computer technology.

The funds are to procure initial libraries of off-the-shelf software as well as the required paper, tapes, disks, cables, etc. The rising funding levels proposed for 1986 and 1987 reflect phased increases required to support the program during its phase-in stage, as well as the impact of funding constraints in 1986.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Subscriptions.................................	$812	$790	$675	$700	+$25

These funds provide for purchasing subscriptions to newspapers, periodicals, pamphlets, documents, and other miscellaneous materials for use by or through the Headquarters library and for field office use. It does not inlcude the cost of reference and law books, which are identified separately under Furniture and Equipment. The reduced funding levels proposed, or compared to 1985 reflects the impact of constraints imposed due to the Balanced Budget and Emergency Deficit Reduction Act (Gramm-Rudman-Hollings).

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1986	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
HUD Headquarters Building Supplies.............	$15	$15	$30	$30	...

This subobject identifies the cost of supplies associated with repair, alterations, operation and maintenance of the HUD Headquarters Building which are not provided by the contractor who is responsible for such services. The requirement has been established consistent with the delegation from GSA to HUD of the responsibility for the operation and maintenance of the HUD Headquarters Building.

FY 1985 was the first year the Department had this responsibility. The proposed funding level is consistent with the requirements developed on the basis of that experience.

	ACTUAL 1985	BUDGET ESITMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Office Supplies...............................	$1,195	$950	$1,150	$1,260	+$110

This subobject represents the costs of pencils, paper, pads, stenographic notebooks, blank books and pads, standard forms (except when specifically printed or assembled to order), unprinted envelopes, other office supplies, and property of little monetary value, such as desk trays, pen sets, and calender stands. The proposed funding levels are generally based on prior years experience, but reflect some reductions and/or deferrals during 1986 due to the funding constraints imposed by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Other Supplies and Materials..................	$929	$935	$1,010	$1,110	+$100

This subobject represents all supplies and materials costs not otherwise identified. The proposed funding levels are consistent with prior year experience.

FURNITURE AND EQUIPMENT

This classification includes personal property of a more or less durable nature--that is, which may be expected to have a period of service of a year or more after it is put into use without material impairment of its physical condition. It includes charges for services in connection with the initial installation when performed under contract, and transportaiton charged paid initially by vendors. The items are further categorized as capitalized or non-capitalized. For this purpose, in 1985 and prior years, capitalized items were those which had a unit cost of $1,000 or more and non-capitalized are those which have a unit cost of less than $1,000. Beginning in 1986 capitalized items are those which have a unit cost of $5,000 or more.

The following table summarizes the actual 1985 obligations and the estimates for 1986 and 1987 for the individual items in this category and is followed by a brief discription and discussion of the proposed funding levels for each item. The figures in parenthesis under the capitalized category indicate the amounts included prior to the change in definition (discussed above) and which are now included in the non-capitalized category for the purpose of comparability.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
NON-CAPITALIZED					
Furniture and Fixtures.......................	$857	$750	$750	$500	-$250
Office Equipment.............................	2,232	808	2,200	2,300	+100
Training Equipment...........................	9	10	16	15	-1
Books..	294	250	300	310	+10
ADP Equipment................................	1,464	1,700	1,325	1,075	-250
Other Equipment..............................	97	882	100	100	...
Subtotal, Non-Capitalized..................	4,953	4,400	4,691	4,300	-391
CAPITALIZED					
Office Equipment.............................	(1,827)	(500)	(...)	(...)	(...)
Training Equipment...........................	(5)	(...)	(...)	(...)	(...)
ADP Equipment................................	(1,186)	(1,500)	(...)	(...)	(...)
Furniture and Fixtures.......................	(7)	(...)	(...)	(...)	(...)
Subtotal, Capitalized......................	(3,025)	(2,000)	(...)	(...)	(...)
Total......................................	4,953	4,400	4,691	4,300	-391

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Furniture and Fixtures (Non-Capitalized).......	$857	$750	$750	$500	-$250

Salaries and Expenses, Housing and Urban Development

These funds are required for the procurement of desks, chairs, bookcases, file cabinets, shelving, carpets, draperies and similar standard office items, including bank type partitions and screens, all of which have unit costs of less than $1,000. The proposed funding levels include the procurement of ergonomic furniture in support of the Department's program for the procurement and expanded use of microcomputers and word processing equipment. The reduction in 1987 reflects the near completion of procurements in support of that program.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Office Equipment (Non-Capitalized).............	$2,232	$808	$2,200	$2,300	+$100

This subobject identifies the cost of standard office equipment, such as typewriters, quick copy machines, and calculators, and word processors. The funding levels proposed principally are for a multi-year program begun during 1985 to procure standarized word processors at Headquarters in order to more fully exploit that technology, reduce rental costs and permit interchangability of both clerical staff and materials. The master contract negotiated is also available to Field offices to permit them to obtain the economies of such a large procurement. Other procurement currently being undertaken in this category include quick-copy machines currently being rented, in those instances in which procurement is more cost effective than continued rental.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Training Equipment (Non-Capitalized)...........	$9	$10	$16	$15	-$1

This represents the cost of specialized equipment, such as movie and slide projectors, screens, and tape recording equipment, whose value is less than $5,000, used to deliver the Department's training programs. Essentially level funding is proposed.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Books..	$294	$250	$300	$310	+$10

These funds provide for reference and law books required for use in the Headquarters library and by the Regional and Field Offices. The proposed level funding provides for new books, supplements, addenda, etc.--principally related to legal matters--consistent with historical experience.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
ADP Equipment (Non-Capitalized)................	$1,464	$1,700	$1,325	$1,075	-$250

These funds are for the procurement of microcomputers and ancillary equipment such as printers, modems and additional boards to upgrade the memory and provide specialized capabilities, to support the Department's program to expand the use of microcomputer technology. The program builds upon the Department's current automated data processing services obtained from its central facility, which is provided through the Working Capital Fund (WCF). A procurement program which provides for the acquisition of approximately 1,000 microcomputers and related equipment and supplies over a three-year period was initiated during 1985 with the procurement of approximately one-third of the total amount. The procurements are being phased and controlled to assure that the facilities and staff can absorb and use them as they become available.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Other Equipment (Non-Capitalized)...............	$97	$882	$100	$100	...

This represents the cost of all equipment not otherwise identified, such as addressograph machines, mimeograph equipment, lecturns, etc. Level funding, for replacement purposes, is proposed.

INSURANCE CLAIMS AND INDEMNITIES

This object class provides for the Federal government "self-insurance" costs, including court-ordered payments. The following material describes and indicates the funding associated with the two subobject included in this object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Idemnities for Property Damages or Personal Injuries...............................	$36	$70	$50	$50	...
Equal Assess to Justice Act Payments...........	266	180	200	200	...
Total..	302	250	250	250	...

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESITMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Indemnities for Property Damages and Personal Injuries...............................	$36	$70	$50	$50	...

These funds provide indemnification for property damages or personal injuries consistent with Federal policies and regulations. No change to the funding level is proposed in 1987.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
			(Dollars in Thousands)		
Equal Access to Justice Act Payments...........	$266	$180	$250	$250	...

This subobject identifies costs resulting from the Equal Access to Justice Act. The Act requires that, in certain instances, the Department pay the legal fees of individuals who have successfully brought suit against the Department. It has only been in effect for a relatively short period—since 1983—and its impact is only now becoming identifiable. The proposed level funding for 1986 and 1987 are based on 1985 actual experience.

ACTIVITY FUNDING SOURCES

The following three tables identify the sources of funds for each budget activity for fiscal years 1985, 1986, and 1987.

Salaries and Expenses, Housing and Urban Development

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1985

	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	TOTAL OBLIGATIONS
		(Dollars in Thousands)			
1. Housing Programs	$28,541	$168,077	$1,625 a/	...	$198,243
2. Public and Indian	38,696	...	2,463 b/	...	41,159
3. Government National Mortgage Association	...	...	...	$3,412 c/	3,412
4. Solar Energy and Energy Conservation Bank	...	...	...	328 d/	328
5. Community Planning and Development	58,585	...	57 e/	...	58,642
6. Policy Development and Research	10,350	...	...	...	10,350
7. Fair Housing and Equal Opportunity	25,694	...	...	...	25,694
8. Departmental Management	8,969	...	...	...	8,969
9. General Counsel	9,466	2,633	...	...	12,099
10. Field Legal Services	7,274	4,224	...	...	11,498
11. Inspector General	18,437	4,935	498 b/	...	23,870
12. Administration and Staff Services	39,729	51,669	...	269 f/	91,667
13. Field Direction and Operational Support	13,438	13,199	...	...	26,637
14. Field Administration	26,227	37,175	...	...	63,402
Total	285,406	281,912	4,643	4,009	575,970

a/ Consists of $574 thousand from Interstate Land Sales Registration fees and $1,051 thousand from Manufactured Housing Inspection Fees.
b/ Transfers from the Consolidated Fee Account.
c/ Transfers from the various funds of the Government National Mortgage Association.
d/ Transfer from the Solar Energy and Energy Conservation Bank.
e/ Consists of $39 thousand transferred from the Consolidated Fee Account and $18 thousand trañsferred from Section 108 Guarantee Fees.
f/ Miscellaneous reimbursements and transfers.

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1986

	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	TOTAL OBLIGATIONS
		(Dollars in Thousands)			
1. Housing Programs	$32,961	$145,610	$1,611 a/	...	$200,182
2. Public and Indian	42,203	...	2,772 b/	...	44,975
3. Government National Mortgage Association	1,132	...	...	$3,437 c/	4,569
4. Solar Energy and Energy Conservation Bank	...	...	...	273 d/	273
5. Community Planning and Development	53,425	...	44 b/	...	53,469
6. Policy Development and Research	8,928	...	...	...	8,928
7. Fair Housing and Equal Opportunity	25,918	...	...	...	25,918
8. Departmental Management	8,556	...	...	...	8,556
9. General Counsel	9,718	2,760	...	...	12,478
10. Field Legal Services	7,166	4,424	...	...	11,590
11. Inspector General	17,658	5,330	560 b/	...	23,548
12. Administration and Staff Services	48,351	45,574	...	275 e/	94,200
13. Field Direction and Operational Support	14,618	10,130	...	...	24,748
14. Field Administration	31,327	26,766	...	...	58,093
Total	321,961	240,594	4,987	3,985	571,527

a/ Consists of $766 thousand from Interstate Land Sales Registration fees and $845 thousand from Manufactured Housing inspection fees.
b/ Transfers from the Consolidated Fee Account.
c/ Transfers from the various funds of the Government National Mortgage Association.
d/ Transfer from the Solar Energy and Energy Conservation Bank.
e/ Miscellaneous reimbursements and transfers.

Salaries and Expenses, Housing and Urban Development

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1987

(Dollars in Thousands)

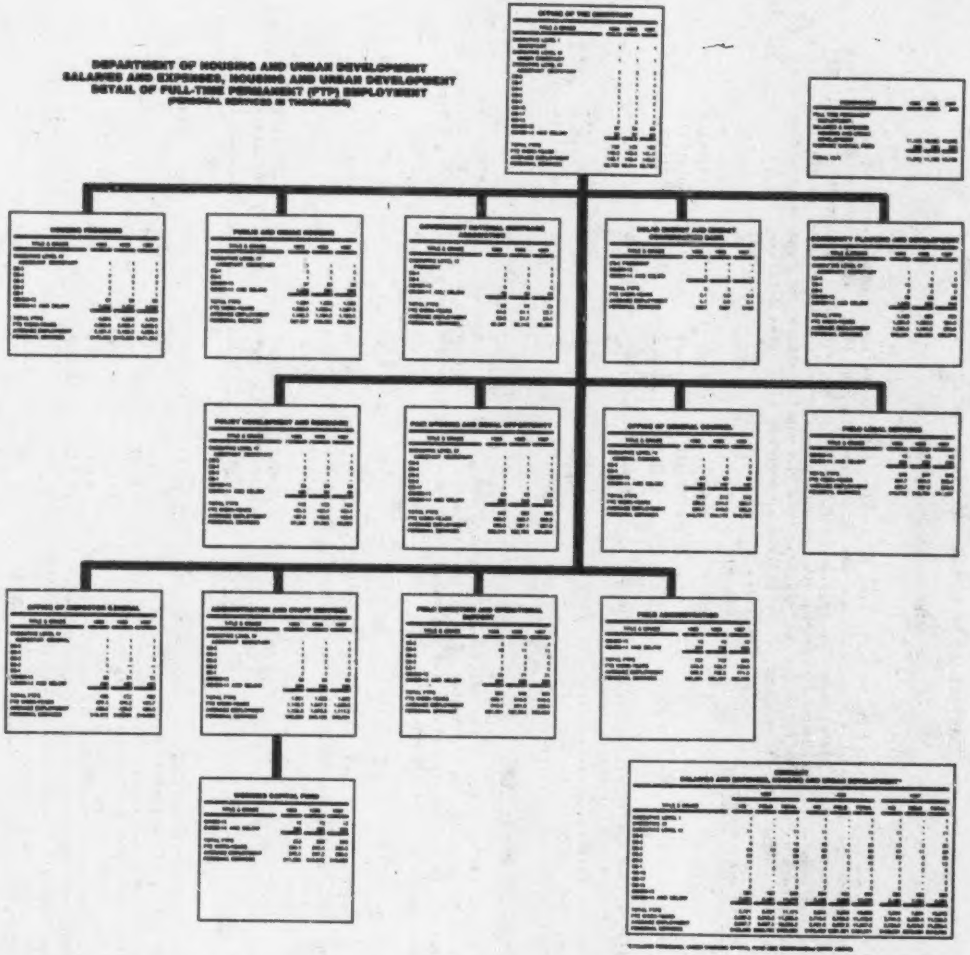
		APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	TOTAL OBLIGATIONS
1.	Housing Programs	$46,326	$147,452	$2,600 a/	...	$196,378
2.	Public and Indian	44,206	...	2,463 b/	...	46,669
3.	Government National Mortgage Association	...	...	...	$5,082 c/	5,082
4.	Solar Energy and Energy Conservation Bank	160	...	...	...	160
5.	Community Planning and Development	46,192	...	45 b/	...	46,237
6.	Policy Development and Research	8,834	...	...	...	8,834
7.	Fair Housing and Equal Opportunity	27,768	...	...	...	27,768
8.	Departmental Management	9,119	...	...	...	9,119
9.	General Counsel	10,460	3,026	...	...	13,486
10.	Field Legal Services	9,571	2,811	...	...	12,382
11.	Inspector General	19,155	5,244	498 b/	...	24,897
12.	Administration and Staff Services	52,109	60,704	...	...	112,813
13.	Field Direction and Operational Support	12,172	12,110	...	...	24,282
14.	Field Administration	27,984	28,436	...	...	56,420
	Total	314,056	259,783	5,606	5,082	584,527

a/ Consists of $1,400 thousand from Interstate Land Sales Registration fees and $1,200 thousand from Manufactured Housing inspection fees.

b/ Transfers from the Consolidated Fee Account.

c/ Transfers from the various funds of the Government National Mortgage Association.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WORKING CAPITAL FUND

The Working Capital Fund is authorized by Section 7(f) of the Department of Housing and Urban Development Act of 1965 (79 Stat. 670) and was established in June 1968. Three centralized services are provided to other elements of the Department through this activity on a reimbursable basis. The services consist of automated data processing support and printing and visual arts services for Headquarters units. The following materials address the total staffing and funding requirements in a summary followed by discussions of the individual services in greater detail.

ACTIVITY HIGHLIGHTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Total Budget Activity................	$48,398	$50,848	$53,240	$62,284	+$9,044
Full-Time Permanent Appointments, End of Year........................	250	249	250	250	...
Full-Time Equivalents................	270.1	256.4	242.4	255.8	+13.4
Staff-Years..........................	276.5	261.5	247.2	260.6	+13.4

SUMMARY OF BUDGET REQUEST

The 1987 request is for $62,284 thousand and 250 positions, an increase of $9,044 thousand. There is no change in the number of positions compared to the 1986 current estimate. The funding increase is almost exclusively for automated data processing services and principally for systems maintenance and development.

FUNDING

The following table shows the actual obligations for 1985 and estimated obligations for 1986 and 1987 for all the activities in the Working Capital Fund by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services....................	$11,295	$10,513	$10,642	$10,688	+$46
Travel and Transportation of Persons..............................	73	72	102	61	-41
Transportation of Things............	1	16	20	15	- 5
Rent, Communications and Utilities..	12,616	13,659	15,770	17,454	+1,684
Printing and Reproduction...........	2,755	3,021	2,693	3,049	+356
Other Services......................	20,885	22,671	22,485	30,259	+7,774
Supplies and Materials..............	600	801	751	702	-49
Furniture and Equipment.............	173	95	777	56	-721
Total...............................	48,398	50,848	53,240	62,284	+9,044

1. CHANGES FROM 1985 ESTIMATES INCLUDED IN 1986 BUDGET

The actual 1985 obligations of $48,398 thousand are $457 thousand more than the previous estimate of $47,941 thousand. The increase is the net effect of higher than anticipated Printing and Visual Arts costs ($585 thousand), partially offset by lower than estimated costs for automated data processing ($128 thousand). The increased costs were almost exclusively due to continuing operating the Department's Printing Plant -- at a lower level than previously anticipated -- in lieu of closing it completely as previously planned.

2. CHANGES TO 1986 BUDGET ESTIMATES

The current 1986 estimate varies from the 1986 budget estimate as follows:

Working Capital Fund

	(Dollars in Thousands)
Budget estimate	$50,848
Add revised estimate for visual arts services	+ 10
Add revised estimate for automated data processing (ADP) services	+2,382
Current 1986 estimate	53,240

The changes in funding requirements for 1986 are the result of the following:

-- a relatively minor increase of $10 thousand for visual arts which reflects more recent costs and requirements information; and

-- an increase of $2,382 thousand for automated data processing support costs, principally in the area of telecommunications and equipment procurement costs.

3. ANALYSIS OF INCREASES AND DECREASES

	1986	1987
	(Dollars in Thousands)	
Prior year obligations	$48,398	$53,240
Changes in printing and reproduction services	-290	+244
Changes in visual arts services	-97	...
Changes in automated data procesing services	+5,229	+8,800
Total obligations	53,240	62,284

-- Printing service costs are expected to decrease $290 thousand in 1986 and to increase $244 thousand during 1987. The reduction in 1986 reflects reductions in and deferral of printed materials in order to accommodate funding constraints imposed under the Balanced Budget and Emergency Deficit Reduction Act (Gramm-Rudman-Hollings). The increase in 1987 provides for printing deferred items and a more normal level of support.

-- A reduction of $97 thousand for visual arts during 1986 reflects the transfer of forms management functions from this activity to the Office of Program and Management Improvement (OPMI) in the Administration and Staff Services activity. No change is anticipated in 1987.

The increase of $5,229 thousand in 1986 for automated data processing is the net effect of the following:

-- a decrease of $176 thousand in personal services costs consistent with reduced staff-year usage;

-- an increase of $3,105 thousand in telecommunications and equipment rental costs reflecting an increase in volume of data processed due to expanded usage and new systems going on line;

-- an increase of $1,586 thousand for "Other Services" primarily for general contractor support for systems development and programming associated with the maintenance and enhancement of current systems;

-- an increase of $605 thousand in equipment costs for the purchase of terminals for the Computer Homes Underwriting Management System (CHUMS); and

-- a net increase of $109 thousand for all other items, such as travel, printing and supplies.

The increase of $8,800 thousand in 1987 for automated data processing services is the net effect of the following:

-- an increase of $147 thousand in personal services costs for anticipated changes to average salary costs, principally for within-grade increases;

- -- an increase of $1,653 thousand in telecommunications and equipment rental costs associated with expanded use of teleprocessing oriented systems;
- -- an increase of $7,824 thousand for "Other Services" to support general contracting for systems development and maintenance, including increased efforts related to the development of a Multifamily Tenant Characteristics System; and
- -- a decrease of $824 thousand in other costs, primarily a reduction in equipment purchases.

FUNDING AND STAFFING BY ACTIVITY

The Working Capital Fund finances administrative support services which can be performed more advantageously on a centralized basis. The activities are:

- -- printing and reproduction which coordinates centalized services for all Headquarters-controlled printing and reproduction and provides distribution, policy, and technical guidance on printing matters to the Field Offices;
- -- visual Arts which provides Headquarters-controlled photographic and design services and prepares visual presentations, displays, exhibits, illustrated visual aids, and graphics (e.g. charts, maps, and diagrams); and
- -- automated Data Processing (ADP) which provides ADP services in support of program operations and for administrative functions, such as Departmental payroll, personnel, finance and accounting, nonexpendable property inventories, and related common services.

Working Capital Fund activities are funded by reimbursements from the Department's Administrative expense funds and directly from the accounts of the Federal Housing Administration, as applicable, for services provided.

Obligations and employment for the individual services are summarized in the following tables:

FUNDING

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Printing and Reproduction Services...	$ 4,490	$ 4,200	$ 4,200	$ 4,444	+$244
Visual Arts Services.................	747	640	650	650	...
Automated Data Processing Services...	43,161	46,008	48,390	57,190	+8,800
Total Working Capital Fund.........	48,398	50,848	53,240	62,284	+9,044
Less Capital Investments (Automated Data Processing Services)	-165	-95	-96	-56	+40
Total Operating Costs............	48,233	50,753	53,144	62,228	+9,084

FULL-TIME PERMANENT APPOINTMENTS

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Printing and Reproduction Services..	22	7	14	14	...
Visual Arts Services................	11	11	8	8	...
Automated Data Processing Services..	217	231	228	228	...
Total..........................	250	249	250	250	...

	STAFF YEARS				
	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Printing and Reproduction Services..	28.5	9.7	17.6	19.1	+1.5
Visual Arts Services................	11.3	11.3	6.6	7.1	+.5
Automated Data Processing Services..	236.7	240.5	223.0	234.4	+11.4
Total..............................	276.5	261.5	247.2	260.6	+13.4

1. PRINTING AND REPRODUCTION

The following table shows the actual 1985 obligations and estimated obligations for 1986 and 1987 for this activity by object class:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services...................	$950	$306	$601	$500	-$101
Travel and Transportation of Persons............................	1	1	1	1	...
Rent, Communications and Utilities..	691	739	740	771	+31
Printing and Reproduction...........	2,517	2,850	2,499	2,850	+351
Other Services......................	68	5	60	10	-50
Supplies and Materials..............	263	299	299	312	+13
Total..............................	4,490	4,200	4,200	4,444	+244

The staffing estimates are as follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year.......................	22	7	14	14	...
Staff-Years.........................	28.5	9.7	17.6	19.1	+1.5

The 1986 Budget request anticipated closing the Departmental Printing Plant and having all printing done by the Government Printing Office or by private contractors. A small staff was to be retained to coordinate printing requirements and the distribution of printed material and to administer the printing orders and contracts. It was subsequently determined that, rather than closing the plant completely, an in-house capability for meeting quick-turnaround and other specialized needs be retained. The additional seven positions consist of transfers from the Visual Arts (3) and Automated Data Processing (3) and activities from the Salaries and Expenses, HUD Account (1). The following describes the function of this activity more specifically:

-- Administration and cost control: The Office maintains production and cost records and carries out responsibilities in connection with cost distribution for printing services.

-- Planning: The Office plans the printing of all material for the Department in both Headquarters and Regional Offices. This includes scheduling; coordinating; monitoring production of HUD material printed by the Departmental printing plant, Government Printing Office, and private contractors; and monitoring Regional Office printing contracts.

-- Distribution: The Office maintains control of authorized distribution lists for the issuance of HUD information materials, arranges for initial distribution of such materials, and provides assistance to HUD staff concerning distribution problems.

The cost of printing and reproduction is billed to each HUD customer that requests services. The following two tables show: (1) the actual workload for 1985, anticipated workload for 1986 and 1987; and (2) estimated billings to the various activities of the Department for

Working Capital Fund

Headquarters printing services which are included in the estimates and justifications for each of the organizations indicated.

The following provides actual 1985 experience for selected workload indicators and estimates for those indicators for 1986 and 1987.

WORKLOAD INDICATOR	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Number of printing requisitions received.............	2,659	2,480	2,630
Number of pages imprinted in HUD printing plant......	11,405,709	10,664,000	11,289,400
Number of orders sent to Government Printing Office..	447	400	450
Number of orders sent to private contractors.........	541	500	550
Number of pages reproduced in HUD quick-copy centers.	26,383,632	24,668,700	26,114,500
Number of items mailed............................	1,233,539	1,153,400	1,221,000

The following table indicates the actual income, by "customer," during 1985 and the estimated income for 1986 and 1987. The reduction in anticipated income in 1986 reflects the funding constraints imposed by the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings), consistent with the similar reductions in workload indicated above.

CUSTOMER	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)		
Housing..................................	$1,685	$1,306	$1,618	$1,717
Public and Indian Housing.................	131	218	126	133
Government National Mortgage Association..	51	84	41	52
Solar Energy and Energy Conservation Bank.	2	1	2	2
Community Planning and Development........	191	176	183	195
Policy Development and Research...........	107	52	86	109
Fair Housing and Equal Opportunity........	40	59	38	41
Departmental Management...................	415	368	333	423
General Counsel...........................	62	41	49	63
Inspector General.........................	105	88	84	107
Administration............................	1,480	2,238	1,540	1,508
Total estimated billings to S&E, HUD customers............................	4,269	4,631	4,100	4,350

2. VISUALS ARTS SERVICES

The following table shows the actual 1985 obligations and estimated obligations for 1986 and 1987 for this activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
		(Dollars in Thousands)			
Personal Services.....................	$397	$435	$269	$269	...
Rent, Communications and Utilities..	5	7	5	5	...
Printing and Reproduction............	...	1	1	1	...
Other Services.......................	313	162	335	335	...
Supplies and Materials...............	31	35	40	40	...
Furniture and Equipment..............	1	...	...	...	...
Total...........................	747	640	650	650	...

The increase of $10 thousand in 1986 from the budget estimate of $640 thousand to the current estimate of $650 thousand reflects an increase in visual arts support services, based on more current data and almost entirely offset by a decrease in salaries and benefits consistent with staffing levels and repricing.

There is no change in funding requirements for 1987.

The staffing estimates are as follows:

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Full-Time Permanent Appointments, End of Year........................	11	11	8	8	...
Staff-Years..........................	11.3	11.3	6.6	7.1	+.5

Through 1985 this activity was responsible for the management and design of all HUD forms. However, beginning in 1986 the responsibility for forms design and management is in the Office of Productivity and Management Improvements in the Administration and Staff Services activity. The Office of Productivity and Management Improvement absorbed the workload for the forms management function and the three positions previously available for this area were transferred to the printing and reproduction activity to cover part of the positions retained in that area. No change in this activity's staff is proposed for 1987. The remaining responsibilities of this activity are:

-- designing Departmental publications and printed materials;

-- developing and producing artwork for reproduction;

-- designing and preparing graphic materials and advising on their effective presentation;

-- preparing original conference and briefing materials, data kits, etc.;

-- soliciting through the bid process contractual services as required;

-- reviewing and monitoring HUD contracts for exhibits, visual aids, and presentation art;

-- providing photographic services for the entire Department, providing liaison with individuals, agencies, and firms outside HUD on photographic matters; and

-- maintaining a central file of HUD photographic material and its documentation.

The following table provides actual 1984 experience for selected workload indicators and estimates for those indicators for 1985 and 1986. The workload is generally level.

WORKLOAD INDICATOR	ACTUAL 1985	ESTIMATE 1986	ESTIMATE 1987
Number of requisitions performed in-house............	622	700	700
Number of requisitions performed by contractors......	412	450	450
Number of photographic assignments...................	613	650	650

The following table indicates the actual income, by "customer," during 1985 and the anticipated income during 1986 and 1987.

CUSTOMER	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
		(Dollars in Thousands)		
Housing....................................	$ 27	$ 21	$ 30	$ 30
Public and Indian Housing..................	4	3	6	6
Government National Mortgage Association..	10	5	10	10
Solar Energy and Energy Conservation Bank.	4	3	4	4
Community Planning and Development........	54	55	34	34
Policy Development and Research...........	31	68	42	42
Fair Housing and Equal Opportunity........	28	19	25	25
Departmental Management...................	130	168	156	156
General Counsel...........................	3	5	5	5
Inspector General.........................	27	27	30	30
Administration............................	347	276	283	283
Total estimated billings to S&E, HUD customers............................	665	650	625	625

3. AUTOMATED DATA PROCESSING (Office of Information Policies and Systems)

A. Funding. The following table shows the actual 1985 obligations and the estimated obligations for 1986 and 1987 for this WCF activity by object class.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
	(Dollars in Thousands)				
Personal Services	$9,948	$9,772	$9,772	$9,919	+$147
Travel and Transportation of Persons	72	71	101	60	-41
Transportation of Things	1	16	20	15	-5
Rent, Communications and Utilities	11,920	12,913	15,025	16,678	+1,653
Printing and Reproduction	238	170	193	198	+5
Other Services	20,504	22,504	22,090	29,914	+7,824
Supplies and Materials	306	467	412	350	-62
Furniture and Equipment	172	95	777	56	-721
Total	43,161	46,008	48,390	57,190	+8,800

1. Changes from 1985 Estimates included in 1986 Budget.

The actual 1985 obligations of $43,161 thousand are $128 thousand less than the previous estimate of $43,289 thousand. The small difference is primarily due to lower than anticipated average salary costs.

2. Changes to 1986 Budget Estimates.

The increase of $2,382 thousand in 1986 is the net effect of the following:

-- an increase of $2,112 thousand in telecommunications and equipment rental costs resulting principally from the need to process a higher volume of mortgage insurance activity than orginally estimated;

-- an increase of $682 thousand in equipment purchase costs as a result of the planned purchase of terminals for the Computer Homes Underwriting Management System (CHUMS); and

-- a net decrease of $412 thousand for all other costs.

3. FY 1987 Funding Increase.

The increase of $8,800 thousand in 1987 for automated data processing services is the net effect of the following:

-- an increase of $147 thousand in personal services costs for anticipated changes to average salary costs, principally for within-grade increases;

-- an increase of $1,653 thousand in telecommunications and equipment rental costs associated with the need for increased transmission capability to support expanded use of teleprocessing oriented systems;

-- an increase of $7,824 for "Other Services" consisting of:

- an increase in contractual support for systems maintenance and enhancements and various relatively minor systems development efforts ($5,668 thousand);
- an increase for the development of a Multifamily Tenant Characteristics System ($1,802 thousand); and
- other miscellaneous increases ($354 thousand).

-- offsetting decreases in other costs, primarily for lower equipment purchases ($824 thousand).

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The following table indicates the actual income, by "customer," during 1985 and the anticipated income during 1986 and 1987.

CUSTOMER	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987
	(Dollars in Thousands)			
Salaries and Expenses, HUD				
Housing	$9,573	$11,805	$7,468	$8,979
Public and Indian Housing	1,092	1,707	2,376	2,857
Government National Mortgage Association	1,016	1,177	2,211	2,659
Solar Energy and Energy Conservation Bank	2	18	10	12
Community Planning and Development	3,928	4,178	3,062	3,682
Policy Development and Research	1,847	1,510	928	1,116
Fair Housing and Equal Opportunity	296	884	331	398
Departmental Management	438	457	242	291
General Counsel	263	805	1,180	1,419
Inspector General	1,577	1,747	1,516	1,823
Administration	18,097	16,712	22,676	27,264
Subtotal	38,129	41,000	42,000	50,500
Federal Housing Administration Fund	5,221	5,913	7,294	7,634
Total	43,350	46,913	49,294	58,134

The distribution of the 1986 current estimate and the 1987 estimate by "customer" is based on a revised method of allocating costs. This new method more closely aligns dedicated equipment costs and offsite timesharing services with specific user organizations.

B. Staffing. The following table indicates the distribution of ADP staff for the Office of Information Policies and Systems.

	ACTUAL 1985	BUDGET ESTIMATE 1986	CURRENT ESTIMATE 1986	ESTIMATE 1987	INCREASE + DECREASE - 1987 vs 1986
Computer Services Group:					
Office of the Director	6	4	7	7	...
Teleprocessing Management Division	24	28	28	28	...
Computer Management Division	53	41	49	49	...
Evaluation and Contracts Staff	10	10	15	15	...
Subtotal	93	83	99	99	...
Systems Engineering Group:					
Office of the Director	3	5	4	4	...
Administrative Systems Division	32	31	40	40	...
Departmental Systems Division	36	45	34	34	...
Housing Systems Division	41	56	36	36	...
Project Management Staff	8	11	9	9	...
Subtotal	120	148	123	123	...
Acquisition Management Staff	4	...	6	6	...
Subtotal	4	...	6	6	...
Total Full-Time Permanent Appointments, End of Year	217	231	228	228	...
Staff-Years	236.7	240.5	223.0	234.4	11.4

The reduction of 3 positions and realignment of staff in 1986 results from a reassignment of staffing requirements based upon 1985 experience and more recent workload data. The 3 positions were made available to the Printing and Reproduction activity and the redistribution of the remaining 228 positions reflects the following:

-- An additional 16 positions in the Computer Services Group for:

  * an increase of 3 positions in the Office of the Director for improved monitoring of remote data processing;

  * an increase of 8 positions in the Computer Management Division resulting from the decision to operate the production and data control function with staff rather than by contract services;

  * an increase of 5 positions for the establishment of a Data Base Management function and the centralization of contract monitoring functions;

-- a decrease of 25 positions in the Systems Engineering Group resulting from the need for the additional positions in the Computer Services Group and the creation of the Acquisition Management Staff; in addition, the Mortgage Insurance Accounting Branch, consisting of 10 positions, was moved from the Housing Systems Division to the Administrative Systems Divisions; and

-- an increase of 6 positions for the Acquisition Management Staff to provide management support for planned procurement.

There are no changes proposed in 1987.

C. Activities. To some extent, the budget estimates for 1987 are predicated on several major ongoing initiatives. However, needed improvements to ongoing systems are also planned to be accomplished in 1987.

A major activity has been the standardization of the various telecommunications networks into a single HUD Teleprocessing Network (HTN II). For 1986, a major objective is to provide the capability to consolidate the networks, with the exception of CHUMS. It is now planned to integrate CHUMS into the single network in 1987, provided that such a conversion is cost beneficial.

Development and procurement of additional modules of the Mortgage Insurance Accounting Project (HUDMAP) continued in 1985. Implementation of the Single-Family Claims System, the Multifamily Notes Servicing System, and Phase I of the Multifamily Insurance System were completed and operations begun by the end of 1985. Development began on the Title I system and a revised Request for Proposals (RFP) was developed for the Single Family Property Dispostion System. In 1986, further phases of the Multifamily Insurance System will be completed. The initial phases of the Title I system will be implemented and the Single-Family Property Disposition contract will be awarded. During 1986 and 1987, further modifications will be made to the other accounting systems to improve their capabilities and accommodate program changes. In 1987, the Title I system will be completed. Full implementation of the Single-Family Property Disposition System will occur.

The completion of the consolidation of all Single Family statistical systems into a single comprehensive automated information file is planned for 1987. Also, improvements in systems supporting the FHA fund will occur in 1986 and 1987 resulting in the more timely processing of applications. Conversion of the Assisted Housing Accounting System (AHAS) to a more efficient and cost effective data base management system is planned for 1987.

D. Organizational Requirements. Data processing functions funded through the WCF were consolidated in 1982 with the establishment of the Office of Information Policies and Systems (IPS). The reorganization became effective in April of that year and included the following functions: ADP policy, planning, and coordination; data management; central computer systems design and programming; resource allocation; computer and network operations; and systems support to the field. Activities related to information resource management, budget, long range planning, contracts administration, reports management, privacy, and security programs are funded directly from the Salaries and Expenses, HUD appropriation.

Activities funded through the WCF are carried out through the following organizational entities and groups.

The Systems Engineering Group provides the full range of development and maintenance services required during the system life cycle of all ADP applications used in support of HUD programs, administration, and special Departmental objectives. These functions include responsibility for the specification, design, development, testing, implementation, and maintenance of ADP systems. This group is also responsible for the development and maintenance of the systems engineering, software, and data standards program.

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The Computer Services Group supervises the Department's ADP equipment operations, the processing of ADP production systems and related services and manages the implementation and operation of ADP and teleprocessing networks for the Department's Headquarters, Regional, and Field Offices. This responsibility includes the specification of ADP equipment requirements and the performance of technical benchmarks and cost evaluations.

E. Programmatic Requirements

The ADP systems that will be in operation or development in 1987 have been grouped in accordance with the program(s) being supported. For each of the programs/activities, data processing accomplishments and plans are described for the past year, current year, and budget year. The Department's programs/activities can be separated into the following major categories:

(1) Assisted and Public Housing

HUD's assisted and public housing programs are supported by fourteen automated data processing systems. These systems are maintained for the Assistant Secretaries for Housing, Public and Indian Housing, and Administration.

During 1985 many Public and Indian Housing data systems needs were satisfied through the development of the following microcomputer applications:

-- Public and Indian Housing Funding Control;
-- Consolidated supply;
-- the tracking of Indian Housing Tenant Accounts Receivable and Operating Improvement Plan;
-- the tracking of the allocation and distribution of HUD funds to support financing of IHA offsite water and sewer facilities;
-- Quarterly Modernization and Comprehensive Improvement Assistance Program;
-- Indian Prototype Cost Development System;
-- Low Occupancy Reporting System; and
-- Troubled Public Housing Authority's System.

A more complete integration of the Field Office Reports Management System/ Public and Indian Housing (FORMS/PIH) with the Assisted Housing Accounting System (AHAS) was accomplished.

An interface between FORMS/PIH and the Statement of Operating Receipts and Expenditures System (SORES) was developed that identifies non-reporting Housing Authorities.

Latent system errors in SORES were identified and corrected improving the reliability of the output reports. Improved data edits were developed and the system was made operational again after a two year non-operational status.

FORMS/PIH was redesigned to support more efficient data retrieval by the Field Offices. The redesigned system became operational in the first quarter of 1986. Two million characters of unvalued data storage were removed from FORMS/PIH databases at the same time, resulting in signifiant savings in data retrieval time and weekly and monthly report processing time. The task force working on improved data edits for the system, completed its work on schedule and its recommendations are being implemented. The prospects for computer based accounting are being researched by the recently formed PHA task force.

In 1985, work began on further modifications to the Section 8 Mangement Information System (Sec. 8 MIS) to accommodate the Housing Voucher program and other program changes. These efforts will be completed in FY 1987.

In 1986 the following activity is planned to allow for more accurate monitoring of funds. These are representative systems:

-- the Operating Subsidy System which will track operating subsidy obligations against programmed appropriations;
-- the Field/PHA microcomputer applications, which are systems to be developed for use in the HUD Field Offices and the PHA/IHA's;
-- the tenant data to be collected has been identified by a statistical sample prepared by PD&R;

-- new FORMS/PIH database edits will be integrated into the existing system to allow for more complete and accurate data; and
-- the Multifamily Tenant Characteristics System (MTCS) development in 1986 will be collecting tenant data for the following programs using Form HUD-50058:

  * Section 8 existing finders/keepers
  * Section 8 moderate rehab
  * Section 8 moderate program
  * Section 23 leased housing

In 1987 further consolidation of existing systems will result in the elimination of redundant systems and elements. Further improvement in Headquarters/Field microcomputer applications will be performed which will allow more accurate data and timely reporting.

(2) FHA Multifamily Mortgage Insurance Programs

During 1985, the Field Office portion of the Multifamily Insurance System (MFIS) project was initiated under the name Multifamily Information Processing System (MIPS). Eight pilot offices were selected to develop applications which will replace Multifamily Insured and Direct Loan Information System (MIDLIS), Office of Loan Management System (OLMS), and Computerized Underwriting Processing System (CUPS). The initial application was distributed to several pilot offices for review. In 1986 some applications will be implemented nationwide. In 1987 development will continue on combining Managment and Development work activities and using the new MIPS applications.

Analysis began in 1985 for the development of a National Data Base (using MIPS data) to serve Headquarters information needs. Development will continue in 1986 with implementation in 1987. Analysis also began in 1985 of the needs for a Previous Participation Review System which can interface with the new MIPS System. Development will continue in 1986 with implementation in 1986 or 1987.

(3) Single-Family Mortgage Insurance Programs

During 1985 the Conditional Commitment phase of the redirected Computerized Homes Underwriting Management System (CHUMS) software was converted and implementation was completed in 81 Field Office sites. This phase of the redirected CHUMS will enable the integration of all functions of the Direct Endorsement Tracking Review System (DETRS). DETRS will remain in operation until all cases assigned to DETRS are resolved. Software development for the CHUMS Firm Commitment/Endorsement phase continued in 1985.

In 1986, the Firm Committee/Endorsement phase of the redirected CHUMS will be implemented nationwide in 81 field offices. The Consolidated Single-Family Statistical System (CSFSS) will be developed based on requirements developed in FY 1985. Other activity will concentrate on the continuation and completion of efforts initiated during prior fiscal years, and on the system modifications necessitated by legislative changes.

In 1987, the Single-Family Consolidated Statistical System, begun in 1986, will be completed and implemented. Other activity will concentrate on the operation of the two CHUMS phases.

(4) Secondary Mortgage Market -- GNMA Program

HUD currently maintains and operates two ADP systems in support of the Government National Mortgage Association (GNMA) Mortgage-Backed Securities (MBS) program. These systems support various aspects of the program which guarantees the timely payment of the principal and interest on securities backed by pools of FHA, Veterans Administration (VA), and/or Farmers Home Administration (FmHA) mortgages. The systems are essential for GNMA to manage the large and growing volume of mortgage-backed securities.

During 1985, improvements to the Issuer and Pool Management, and the Issuer's Monthly Audit Systems for the GNMA II Program were completed. Development of the Committee Line, an on-line, interactive subsystem was begun. A new microcomputer system which identifies previously owned GNMA mortgages assigned to FHA within three years of sale was completed in 1985.

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In 1986, the Issuer and Pool Management and the Issuer's Monthly Audit systems will be enhanced to validate and track the change in interest rates as they occur in ARMs securities and to ascertain that the correct amount of interest and principal is being paid to security holders. Also electronic transfer of certain commitment data from HUD to Chemical Bank of New York will be initiated. Development of the Commitment Line subsystem will be completed and plans made for system testing and implementation. This system will change the way that GNMA handles and distributes commitment authority among the issuers of MBS securities. Work will begin on the "streamlining" of the Issuer's Monthly Audit System so that the system will operate more efficiently and handle more effectively the continuing increase in volume of MBS pools. Analysis and design of modifications to the Issuer and Pool Management System to support progressive increases in user fees for participants in the MBS program will be started in the fourth quarter of 1986.

In 1987, the system testing and implementation of the basic Commitment Line subsystem will be completed and GNMA will begin the on-line, interactive processing of commitment requests and pool submissions. The work necessary to support increases in user fees will be completed; and the Issuer's Monthly Audit Systems will be made a part of the Issuer and Pool Management System thus increasing internal control and operating efficiency. Analysis and design of a custodian file, a system that will enable GNMA staff to quickly locate loan and money custodians in order to obtain possession of money and documents in the event of issuer default, will begin in 1987; and work will be started on a new system to provide automated support for interface with a depository used to immobilize GNMA securities. Use of such a depository will preclude losses to investors in GNMA securities as a result of failure of financial institutions. In addition a requirements study will begin on automating mortgage pool processing procedures.

(5) Block Grant Program

HUD currently maintains and operates six ADP systems essential for the allocation of funds and effective administration and oversight of the Department's Community Development Block Grant (CDBG) program. The Block Grant funds are allocated to states, cities, and urban counties by complex formulas established by the Congress that take into account such criteria as population, overcrowding, proverty, and the number of aging structures. The administration of grants, including drawndown rates, is monitored by HUD Field Offices and reported through an automated data system. The required annual report to Congress on the Block Grant program is supported by a data system that draws statistics from the grant administration systems and also from special surveys of recipients. In addition to the entitlement grants to large cities, special data systems keep track of grants to small cities, Indian tribes, and other entities.

During 1985 a major modification of the Field Office Reports Management System/Community Planning and Development (FORMS/CPD) data base was developed to provide improved data processing capability for Field Offices. Modifications were made in support of new regulations, legislative changes, and CPD management needs which had an impact on many of the CDBG systems. The CDBG Demographic Entitlement Systems were enhanced to improve responsiveness to the demands of the CDBG and UDAG programs. The entitlement system redesign was completed.

In 1986, the major modification of the FORMS/CPD data base system will be initiated. This action was not started in 1985 due to budget limitations. Upgrades from 1985 will continue. Modifications and enhancements will be made to upgrade analysis and evaluation capabilities in the CDBG Entitlement Applications Analysis System, and to implement statutory and regulatory changes in all affected systems.

In 1987, a review of FORMS/CPD to eliminate and consolidate reports will be initiated. The Annual Report to Congress will be produced every 3 years instead of annually beginning in 1987, though an update of current year data to the system will occur each year.

(6) Additional Community Development Activities/Programs

ADP systems provide information essential to the management and operation of other programs for the Assistant Secretary for Community Planning and Development, including the Urban Development Action Grant (UDAG) program, Urban Homesteading program, and the Rehabilitation Loan program.

During 1985, the Rental Rehabilitation Grant Information System was implemented and contains information regarding fund allocations and contract authorities, supports project/grantees reporting, and monitors progress of all states, localities, projects, and grantees.

Working Capital Fund

Required maintenance and modifications to implement changes in legislation, regulations, and program management are anticipated for the UDAG system as well as other systems in support of CPD. The Action Grant Information System conversion was completed. This capability permits the development of improved Regional and Field Office data bases.

In 1986, modifications and enhancements will continue to be made to the Letter of Credit Control System and the Urban Homesteading System to improve the responsiveness to the demands of management.

In 1987, it is anticipated that many of the modifications and enhancements undertaken in 1986 to upgrade these systems will continue. However, no new development is envisioned during 1987.

(7) Regulatory, Audit, and Investigation Activities

The activities described in this section include the regulation of interstate land sales, audit and investigative functions carried out by the Inspector General, and Departmental responsibilities for Fair Housing and Equal Opportunity, and the Solar Energy and Energy Conservation Bank. Data processing support for these functions is discussed in the following paragraphs.

(a) Interstate Land Sales Registration. This activity is supported by the Office of Interstate Land Sales Registration (OILSR) Management Information System (MIS) which satisfies the basic information needs of the Office to comply with legislation. It provides information related to the progress, status, and accuracy of the developer's disclosure statement and is the information base for program operation and planning, statistical reporting, budget estimation and justification, and follow-up monitoring functions.

(b) Inspector General. HUD maintains and operates six ADP systems that support the nationwide investigative and audit activities of the Office of Inspector General (OIG). These systems are required for the OIG to comply with the Inspector General Act of 1978, and the requirements of the Office of Management and Budget (OMB) and the General Accounting Office (GAO) for investigation and audits related to HUD programs.

During 1985, enhancements included an interface between the Investigative Case Management System (ICMS) and the Name Indices System (ONIS), implementation of improvements in report printing and system efficiency in the Audit Planning and Operations Systems (APOS), incorporation of cost efficiency tracking and database efficiency modifications in the Automated Audits Management System (AAMS) and an interface between the Hotline Management System (HMS) and the ICMS and ONIS.

In 1986, ICMS will be converted to allow immediate access to the most recent data entered. An audits universe subsystem will be developed to interface with APOS. Tracking of findings recommendations will be incorporated into the AAMS. Efficiency modifications will continue to be made in all systems.

In 1987, APOS and AAMS will be converted to interactive systems making data available immediately to all users.

(c) Fair Housing and Equal Opportunity (FHEO). HUD maintains and operates five ADP systems that support FHEO in their enforcement, compliance, and monitoring responsibilities and automation of the objective inquiries and findings developed during the Field Performance Evaluation. FHEO's responsibility for monitoring CDBG funding is being supported by Community Planning and Development's FORMS/CPD system.

During 1985, the Substantially Equivalent Agencies, Local/State System (SEALS) was implemented in all Regional Offices. A Field Performance Evaluation system was developed for FHEO. Modifications were made to the Complaints and Compliance Review System (CCRS), SEALS, and CDBG/UDAG monitoring. The manual Data Supplement Guide which is used in conjunction with the Basic Information System (BIS) was completed and implemented in all Regional Offices. Development of the Title VI Compliance System for Public Housing Authorities and the microcomputer Affirmative Action System were begun.

In 1986, SEALS will be modified to accept State and Local data directly at the Regional level. A request for a Program Information Subsystems (PINS) within BIS was received in 1985 and will be developed in 1986. Enhancements to BIS, and development of the Title VI Compliance System for Public Housing Authorities, and the Affirmative Action System will continue. The Latter is a new module for the Field Performance and Evaluation System.

In 1987, the Basic Information System will be expanded to provide to the field office staff on-line automated analysis of the racial/ethnic characteristics of tenants and residents of areas surrounding HUD insured and assisted housing. The Field Performance Evaluation system will be expanded to allow use by Regional Staff and other Assistant Secretaries in Headquarters.

(d) Solar Energy and Energy Conservation Bank (SEECB). During 1985, the SEECB funds system used a microcomputer to track funds distributed to the private sector. Only technical assistance is evisioned for 1986 and 1987, as the program is concluded.

(8) Administrative Support Activities

Among the Administrative support functions are ADP systems for personal property management, administrative expense accounting, contracts administration, staff time reporting, forms management, personnel/payroll, programmatic performance measurement, ADP resource control and charge-back, and training management and control. Other Administrative support functions include the maintenance of standard Department location codes in the Geographic Codes System, and systems, such as the Federal Assistance Award Data Systems (FAADS) which are externally required. Support of FAADS, mandated by P.L. 97-326 (the consolidated Federal Funds Reports Act of 1982), requires reporting of all Federal funding activity resulting in normal maintenance, program additions, and annual modification as directed by OMB.

During 1985, the Employees Time Reporting System (ETRS) software was improved and an inquiry capability has been provided. Additionally, ETRS output reports are now automatically made available for printing in field offices. The Resource Allocation Guidelines System (RAGS) has been modified to permit transferring parts of its data files from the mainframe computers to the clients personal computer for inquiry and ad hoc report generation purposes. A study was conducted and a personnel/payroll system tentatively has been selected to replace HUD's current system. Implementation work continued on the Letter of Credit Control System (LOCCS) parts of which became operational during 1985. The Program Accounting System (PAS) was upgraded to provide an inquiry capability. The Section 202 Elderly and Handicapped Loan System was modified to improve operational efficiency in Regional Offices. A study was performed to determine the post-audit requirements for including Section 236 Insured Projects in the General and Program Accounting (GPA) Diversified Payments System. The Office of Procurement and Contracts Management Information System (OPC MIS) and Simplified Procurement System were both modified to implement the provisions of the Competition in Contracting Act (CICA) as mandated by OMB.

In 1986, RAGS will be enhanced to expand reporting capabilities from Regional Offices to the Field Office level and to provide automated interfaces with several program offices in the Field. Currently planned implementation efforts for LOCCS will be completed in 1986. Upgrading PAS to use a modern, state-of-the-art data-base management system (DMS 1100) rather than the obsolete one currently in use (IMS 8) will be completed in 1986. The GPA Diversified Payments System will be enhanced in 1986 to accommodate Section 236 Insured Projects. In 1986 expanded usage of the Government On-Line Accounting Link System (GOALS) with the Department of Treasury is planned to supplement automation of HUD's accounting systems. A feasibility study to determine the desirability of converting the custom programmed OPC MIS to a database management system will be undertaken in 1986 with an implementation goal of 1987.

(9) General Support/Program Activities

HUD's ADP services also provide general support to the functional areas of the Office of the Secretary, the General Counsel, the Assistant Secretary for Policy Development and Research, and the Regional and Field Offices.

(a) Office of the Secretary. The organizations under the Secretary that are provided ADP services are:

(1) Office of Legislation and Congressional Relations (OLCR) - in 1985 a feasibility study was completed which recommended replacement of the outdated minicomputer. In 1986

a copy of the Secretary's Correspondence Control System will be modified to meet OLCR's requirements.

(2) Office of Small and Disadvantaged Business Utilization (OSDBU) - in 1985 technical assistance was provided to access data in the Office of Procurement and Contracts Management Information System (OPC MIS). In 1986 and 1987, OSDBU will be provided with support for research and development of a tracking system for small and disadvantaged businesses.

(3) Office of Public Affairs - the mailing address system required only minimal support and computer time in 1985. No maintenance or outlay of personnel resources is expected in 1986 or 1987.

(4) Office of International Affairs - for 1986 and 1987 minimal technical assistance is anticipated for an information retrieval system on foreign housing and urban development activities.

(b) General Counsel. The Office of the General Counsel is provided technical assistance in automating administrative law decision cases, tracking legal cases, and maintaining the Debarment System. System changes will be made in 1986 or 1987 as users' needs require, including the design and development of local applications for Regional Offices, and developing interfaces for those applications with the Headquarters OGC Case Tracking System.

(c) Policy Development and Research. HUD maintains and operates ADP systems and provides technical assistance in eleven areas to support the Policy Development and Research (PD&R) function. These systems draw upon HUD data systems and the Census Bureau for essential statistical information used to analyze policy proposals. Policy anlaysis and research covers all substantive HUD areas, including assisted housing programs, community development programs, insurance activities, economic market analysis, urban enterprise zones, rehabilitation efforts, and a number of experimental programs. ADP support for PD&R primarily consists of providing systems software design and technical assistance to researchers and analysts.

During 1985, work was begun to bring some large databases in-house to reduce the costs of outside computer services. The use of microcomputer applications was implemented, and a study was initiated to determine the proper configuration of an office automation system for PD&R.

In 1986, PD&R systems will be used to analyze mortgage finance issues, particularly as they are affected by the changes in the housing finance industry. The systems will also support research concerning the effective operation of the nation's public housing and evaluate many of the changes in housing policy, (i.e., the emphasis on the use of vouchers and the rehabilitation of existing housing instead of large new construction programs to meet low-income housing needs), and direct an assessment of the financial physical condition of HUD's insured multifamily inventory. A major effort will research improving HUD's housing program data systems. Office automation will be implemented in PD&R.

The enhancement begun in 1986 will be continued in 1987, with new projects initiated to support these same efforts.

(d) Regional/Field Office Support. Data processing resources are provided for the coordination of all ADP activities between HUD Headquarters and the ten regions and to ensure that Regional and Field Office requirements are carefully considered and fully accommodated in all ADP initiatives sponsored by organizations in Headquarters. This includes implementation scheduling for all Department's Field systems and the planning, development, and dissemination of programs and materials for all levels of Field management. In addition, local/regional development efforts are provided technical support for feasibility studies, ADP systems analysis, design, programming, testing, documentation, and maintenance.

In FY 1986, unique Field Office applications which will improve local management will be implemented.

In FY 1987, additional program accounting functions will be automated with the continued implementation of accounting packages. General technical support will be continued.

F. Summary of Workload Requirements. The following information depicts the projected data processing workload for 1987. These estimates include systems engineering and computer resources.

Working Capital Fund

The resource requirements for all ADP applications systems are summarized and aggregated by major program/activity. The dollars shown below reflect the total Departmental costs, including depreciation. The major resource requirements fall into the two primary categories of staff-hours and CBSUPS. Systems engineering resources are represented by staff-hours. These include several types of activity: maintenance, legislative and regulatory development, user initiative development, and technical assistance/user support. The unit of measurement for the central computer facility, Core Block Standard Unit of Processing (CBSUPS), includes computer memory and processing time.

PROGRAM/ACTIVITY	1987 PROJECTED RESOURCE REQUIREMENTS		
	STAFF-HOURS*	CBSUPS	DOLLARS
Assisted and Public Housing	117,326	977,752	$12,479,215
FHA Multifamily Mortgage Insurance	9,777	807,502	7,791,263
FHA Single Family Mortgage Insurance	200,431	1,251,958	17,631,394
Secondary Mortgage Market	14,666	70,050	1,300,236
Block Grant Program	43,997	241,750	3,485,240
Additional Community Development	9,777	23,260	728,334
Regulatory, Audit and Investigative	29,331	299,140	3,846,869
Departmental Management	39,109	535,100	6,237,070
General Support	24,443	323,983	3,690,379
Total	488,857	4,530,495	$57,190,000

*Staff-hours are composed of SEG in-house and contractor resources.

G. Technology Plans. The Department continues to seek the most cost-effective means of satisfying ADP requirements. This includes the continued maximization of the Productivity Improvement Program inaugurated under OMB Circular A-76 which is designed to ensure that the most efficient mix of resource requirements is obtained. Where economically appropriate, commercially available software is acquired to meet HUD automation requirements. Additionally, processing is accomplished under Teleprocessing Services Program (TSP) contracts with commercial vendors when it is economically advantageous to do so.

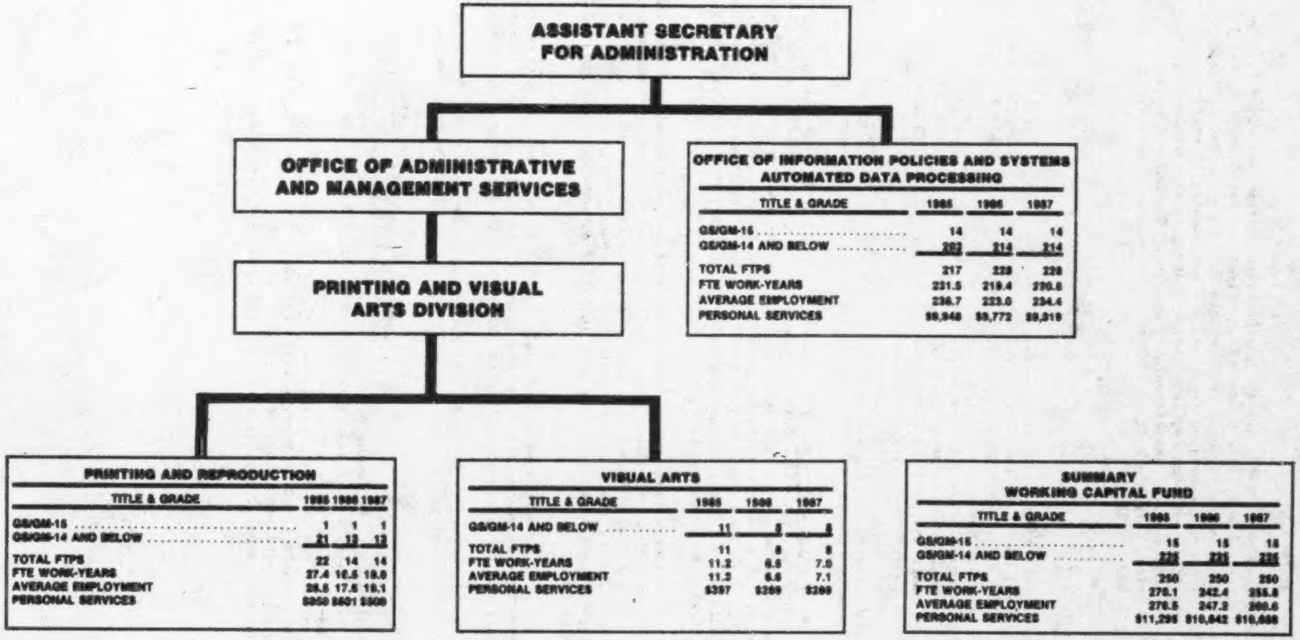
Recently implemented systems and systems under development in 1986 provide high levels of interaction between the Department's centrally-located computers and users located throughout Headquarters and Field Offices. To maintain the necessary level of responsiveness, HUD installed Sperry 100/92 in the third quarter of 1985 as a capacity replacement for an installed 1100/82. Also, Sperry terminals and printers were installed during 1985 to support the implementation of CHUMS Phase II.

Preliminary studies and analyses will be conducted as part of the Department's preparation for the recompetition of the computers installed in the Headquarters computer center. The Delegation of Procurement Authority under which this equipment was acquired expires in 1987.

H. Inventory of Systems. The following table summarizes the actual additions and deletion inventory of operational systems from 1977 through 1985 and provides estimates for 1986 and 1987:

	ACTUAL									ESTIMATE	
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Operational systems, beginning of year	99	103	112	102	96	96	122	138	142	136	135
Systems added during year	21	19	11	13	11	31	25	18	10	8	2
Systems deleted during year	-17	-10	-21	-19	-11	-5	-9	-14	-16	-9	-7
Operational systems, end of year	103	112	102	96	96	122	138	142	136	135	130
Actual and projected inventory if no deletions were made	127	146	157	170	181	212	237	255	265	273	275

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)


ASSISTANT SECRETARY FOR ADMINISTRATION
OFFICE OF ADMINISTRATIVE AND MANAGEMENT SERVICES
PRINTING AND VISUAL ARTS DIVISION

OFFICE OF INFORMATION POLICIES AND SYSTEMS AUTOMATED DATA PROCESSING

TITLE & GRADE	1985	1986	1987
GS/GM-15	14	14	14
GS/GM-14 AND BELOW	203	214	214
TOTAL FTPS	217	228	228
FTE WORK-YEARS	231.5	219.4	230.8
AVERAGE EMPLOYMENT	236.7	223.0	234.4
PERSONAL SERVICES	$9,948	$9,772	$9,819

PRINTING AND REPRODUCTION

TITLE & GRADE	1985	1986	1987
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	21	13	13
TOTAL FTPS	22	14	14
FTE WORK-YEARS	27.4	16.5	18.0
AVERAGE EMPLOYMENT	28.5	17.5	19.1
PERSONAL SERVICES	$950	$601	$600

VISUAL ARTS

TITLE & GRADE	1985	1986	1987
GS/GM-14 AND BELOW	11	8	8
TOTAL FTPS	11	8	8
FTE WORK-YEARS	11.2	6.5	7.0
AVERAGE EMPLOYMENT	11.3	6.6	7.1
PERSONAL SERVICES	$397	$269	$269

SUMMARY WORKING CAPITAL FUND

TITLE & GRADE	1985	1986	1987
GS/GM-15	15	15	15
GS/GM-14 AND BELOW	235	235	235
TOTAL FTPS	250	250	250
FTE WORK-YEARS	270.1	242.4	255.8
AVERAGE EMPLOYMENT	276.5	247.2	260.6
PERSONAL SERVICES	$11,295	$10,642	$10,688

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPOSED CHANGES IN APPROPRIATION LANGUAGE

This section discusses changes in the text of appropriation language other than changes in dollar amounts or fiscal year designations.

HOUSING PROGRAMS

Annual Contributions for Assisted Housing

The existing language for this program, as contained in P.L. 99-160 (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1986), contains nine (9) provisos. The first proviso, the second proviso, a portion of the third proviso, the fourth proviso, the fifth proviso, a portion of the seventh proviso, the eighth proviso, and the ninth proviso are proposed for deletion in 1987. These provisos will be discussed in the order that they appear in the language. Portions of existing language are being reproposed and new language also is being introduced.

Delete the reference to an increase in contract authority and first proviso of the 1986 language as follows.

> ". . . is increased by $838,803,547: Provided, That the budget authority obligated under contracts for annual contributions shall be increased above amounts heretofore provided in appropriation Acts by $9,965,607,781:"

To curtail, and eventually eliminate, the Federal deficit, several program modifications, reprogramming and funding reductions are being proposed for Subsidized Housing. As a result of such actions in 1986, substantially less will be needed to fund 1986 activities than was provided. It is proposed that $353.9 million of contract authority and $2.3 billion of budget authority, in excess of 1986 requirements, be deferred for use in 1987. These deferred amounts will be sufficient to support the program level proposed for 1987 and no new contract or budget authority is being requested for 1987.

Delete the second proviso of the 1986 language.

The second proviso addresses specific set asides of budget authority for Public Housing, Indian Housing, Modernization, Housing Vouchers, Housing for the Elderly or Handicapped, Section 8 Existing and Moderate Rehabilitation programs. Because the Department is proposing the termination of many of these programs, there is no need for language to establish such set-asides in 1987.

Both the Rental Housing Development Grants (HoDAG) and Rental Rehabilitation Grants programs are proposed to be terminated and, therefore, appropriation language such as that included in the 1986 Act is no longer necessary.

Delete portions of the third proviso of the 1986 language as follows.

> "Provided further, That any balances of authorities made available prior to the enactment of this Act . . . added to and merged with the authority approved herein, and such merged amounts shall be . . . ."

This merger language is redundant. The remaining language of this proviso which is proposed for retention accomplishes the purpose of subjecting 1986 carryover balances to the "terms and conditions of law applicable to authorities becoming available in fiscal year 1987." Therefore, there is no need for the language which is being deleted.

Proposed Changes in Appropriation Language

Delete the fourth proviso of the 1986 language as follows.

> "Provided further, That notwithstanding the immediately preceding ("merger") proviso, notwithstanding any requirement of section 235(c)(3) of the National Housing Act, as amended, and notwithstanding the proviso in this paragraph concerning rescission of recaptured budget authority, any balances of the contract authority and budget authority provided in the Second Supplemental Appropriations Act, 1984 (Public Law 98-396, 98 Stat. 1369, 1380) for the homeownership assistance program under section 235 of the National Housing Act, as amended (12 U.S.C. 1715z), for which the Secretary has made fund reservations prior to the date of enactment of this Act shall remain available for obligation without regard to any fiscal year limitation until such reserved budget authority is expended, and the Secretary of Housing and Urban Development shall have the authority to enter new contracts for assistance payments and to insure mortgages under section 235 until such reserved budget authority is expended notwithstanding any sunset date specified in the last sentences of section 235(h)(1) and section 235(m) respectively:"

Balances of authority previously made available under P.L. 98-396 for the restructured homeownership assistance program under section 235 which are recaptured are proposed to be rescinded and not kept available until expended. This program is to be terminated (subsidy and insurance commitment authorization expire March 17, 1986) and the Department is not planning to enter into new contracts in 1987.

Delete the fifth proviso of the 1986 language as follows.

> "Provided further, That notwithstanding the "merger" proviso, and notwithstanding the proviso in this paragraph concerning rescission of recaptured budget authority, any amounts of budget authority heretofore made available for obligation until September 30, 1986 for rental rehabilitation grants and development grants pursuant to section 17(a)(1) of the United States Housing Act of 1937, as amended, shall remain available until such date."

The Rental Housing Development and Rental Rehabilitation Grants programs are proposed for termination and language permitting continued use of recaptures is unnecessary.

Insert language on Modernization, as follows.

> "Provided further, That of the balances of authority made available prior to the enactment of this Act which are available for obligation in fiscal year 1987, $225,000,000 shall be available until expended, as an appropriation of funds for modernization of existing public housing projects pursuant to Section 14 of the United States Housing Act of 1937, as amended (42 U.S.C. 14371)."

A limited program for emergency modernization activities is being proposed for 1987 and language restricting the use of contract and budget authority for such purposes to $225 million of carryover authority is being requested for 1987. The language would also convert the budget authority into an appropriation of funds so that the $225 million funding would be consistent with the public housing financing reform proposal described elsewhere in the Justifications.

Delete a portion of the seventh proviso (rescission of recaptures) as follows:

> ". . . 1986 except such amounts provided for assistance payments contracts under section 235 of the National Housing Act of 1937, and for grants under section 17(a)(1) of the United States Housing Act of 1937 . . . ."

This proviso exempts section 235 and section 17 (HoDAG and Rental Rehabilitation) recaptures from rescission. Since the programs are proposed for termination, there is no need for such a provision in 1987.

Proposed Changes in Appropriation Language

Delete the eighth proviso of the 1986 language as follows.

> "Provided further, That section 6(b) of the United States Housing Act of 1937 is repealed:"

Since this already was accomplished through the 1986 Act, there is no need to repeal this provision.

Delete the ninth proviso of the 1986 language as follows.

> "Provided further, That up to 20 per centum of the $978,900,000 provided herein for assistance in financing the development or acquisition cost of public housing shall be made available for major reconstruction of obsolete public housing projects."

Since no funds are requested for public housing development in 1987, no funds need be set-aside for major reconstruction of obsolete public housing projects; therefore this language is not required.

Rent Supplement Program

Insertion of rescission language as follows.

> "The limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under Section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) is reduced in fiscal year 1987 by not more than $2,900,000 in uncommitted balances of authorizations provided for this purpose in appropriation acts."

This language proposes a $2,900,000 rescission of contract authority in 1987. This is a technical rescission of 1 year authority which is estimated to be obligated and disbursed for rent rebates in 1986.

Troubled Projects Operating Subsidy

Delete the word "unobligated" and insert the word "uncommitted".

The proposed change is a technical one to accommodate a current Treasury interpretation which requires a substantial accounting workload. The Treasury interpretation requires that unobligated balances at the end of a fiscal year that are carried forward into the next fiscal year begin a new 2 year period for obligation purposes.

The proposed appropriation language change would permit unobligated balances to remain on the books of the Troubled Projects account. This would eliminate the requirement to perform manual accounting modifications, thereby reducing workload.

Congregate Services

Deletion of the language is proposed.

No additional appropriation is proposed for this program in 1987 since the $28 million demonstration program has been completed.

Housing Counseling Assistance

Deletion of the language is proposed.

No additional funds are proposed for this program in 1987. Housing counseling activities can continue to be carried out by HUD-approved counseling agencies which may be funded through the CDBG program at the localities' option.

Proposed Changes in Appropriation Language

Housing for the Elderly or Handicapped Fund

Delete the first proviso.

"That such commitments shall be available only to qualified nonprofit sponsors for the purpose of providing 100 per centum loans for the development of housing for the elderly of handicapped, with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor if sustaining occupancy is achieved in a reasonable period of time: Provided further,"

This deletion of language is requested because the 1987 budget proposes to terminate funding for new Section 202 projects beginning in 1986.

Insert the last proviso.

"Provided further, That the available funds are to be used only for amendments to existing reservations."

This language proposes to make funds available for contract amendments to those applications which were approved in prior years and are now in the construction pipeline.

Nonprofit Sponsor Assistance

Deletion of the language is proposed for deletion.

No additional loan limitation is proposed for this program in 1987 consistent with the proposed termination of the Section 202 Housing for the Elderly or Handicapped program in fiscal year 1986.

PUBLIC AND INDIAN HOUSING PROGRAMS

Low-Rent Public Housing-Loans and Other Expenses

New language is proposed.

This language is proposed to treat this account in the same manner as other accounts covered under Federal Credit Control procedures. Loan guarantees will no longer be issued under the proposed method of financing Public and Indian Housing development or modernization. However, direct loans will be required to fund projects which are in the processing pipeline as a result of 1985 and prior commitments.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Payment of Participation Sales Insufficiencies

Insertion of the language is proposed.

"For the payment of such insufficiencies as may be required by the Government National Mortgage Association, as trustee, on account of outstanding beneficial interest or participations in assets of the Department of Housing and Urban Development (including the Government National Mortgage Association) authorized by the Independent Offices and Department of Housing and Urban Development Appropriation Act, 1968, to be issued pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, as amended (12 U.S.C. 1717), $1,079,000."

This proposed language provides $1,079,000 in appropriations to cover the excess of interest payments to holders of participation certificates. Funds in the amount of $559,000 are needed for 1986 and $520,000 are needed for 1987. No such appropriation was made in 1986; hence, the necessity for new language for 1987.

Proposed Changes in Appropriation Language

COMMUNITY PLANNING AND DEVELOPMENT

Section 108 Loan Guarantees

Deletion of the language is proposed.

The Budget proposes the Section 108 program be terminated in 1986 and no additional guarantee commitments be made.

Urban Development Action Grants

Deletion of the language is proposed.

No additional funds are proposed for this program in 1987 and the program is proposed for termination.

Urban Homesteading

Insert the words, "or the Rehabilitation Loan Fund".

The proposed language would allow Urban Homesteading funds to be used to reimburse the Rehabilitation Loan Fund in addition to FHA, VA, and Farmers Home Administration. Section 810 of the Housing and Community Development Act of 1974 authorizes such reimburement, but that particular provision has never been implemented. A few Section 312 units could be used for homesteading at this time but the language change is needed before this can be accomplished.

Rehabilitation Loan Fund

Delete the existing language and enact new language.

The Rehabilitation Loan Fund program is proposed for termination at the end of 1986 with the assets and liabilities of the program to be transferred to the Revolving Fund (Liquidating Programs). The proposed language provides for the transfer.

FAIR HOUSING AND EQUAL OPPORTUNITY

Fair Housing Initiatives Program

New language is proposed for a new Fair Housing program--authorizing legislation is required.

The language includes a proviso that the appropriation for the new program would be available only upon enactment of the authorizing legislation. If the authorization is not enacted by January 1, 1987, not to exceed $1.7 million of the appropriation would become available for use under the existing Fair Housing Assistance Program.

TITLE IV - GENERAL PROVISIONS

Section 409--Restriction on use of Salaries and Expenses Appropriation.

Deletion of this section is proposed.

The language in this section is proposed for deletion as part of an Administration wide effort to allow flexibility in the management of funds within the totals provided by the Congress.

Proposed Changes in Appropriation Language

Section 413--Congressional review of regulations.

Deletion of the language is proposed.

The Budget proposes the deletion of this provision as inconsistent with Administration policies concerning the implementation of regulations.

Section 416--Reduction of Appropriated Funds.

Deletion of the existing language which reduced appropriated funds for certain accounts and activities is proposed.

No reduction from the amounts to be appropriated for certain accounts and activities is proposed by 1987. In 1986, a 1.1 percent reduction in the following programs was mandated; Congregate Services, Housing Counseling Assistance, the FHA Fund (limitation on gross obligations for direct loans), Section 108 loan guarantees, Urban Homesteading, and the Fair Housing Assistance Program.

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